

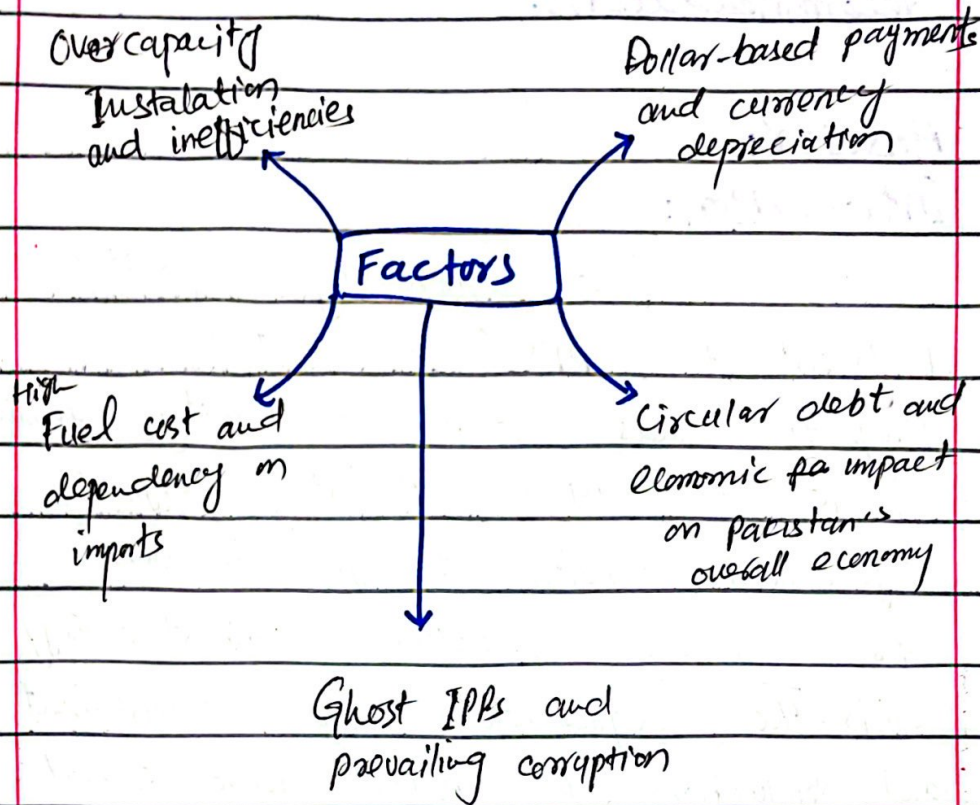
Q01 Increasing capacity payments to IPPs made electricity hyper expensive. Critically evaluate the statement and give recommendations.

Answer:

Introduction:

The increasing capacity payment to IPPs (Independent Power Producers) has made electricity expensive. Since in 1994, Pakistan signed agreements with foreign investors for power production amidst energy crisis. The agreements for establishment and production of power were signed in dollars that government will pay in dollars for to IPPs for production of power and maintenance. These agreements were successful that time and attracted foreign direct investment (FDI). However, Rupee depreciation and fluctuation in global fuel prices made production from these IPPs very expensive. Besides, capacity payment to IPPs restricted government spendings in socio-economic projects.

Factors Contributing to Hyper-Expensive Electricity Generation from IPPs



1) Overcapacity Installation and Inefficiencies:

Pakistan's electricity generation remains highly underutilized, despite substantial increase in installed capacity. In FY 2023-24 installed capacity reached 45660 MW while average capacity stands at 21090 MW (47%), according to Ministry of Power Division. In such situations,

Government make payments to idle power plants and ~~exacerbated~~ exacerbated financial strain.

2) Dollar-based Payment and Currency Depreciation:

In 1994, capacity payment to IPPs were pegged to dollar. Initially it helped government to attract investment of more than \$4 billion. However, due to depreciation of rupee, it is now too difficult for government to make payment in dollars. Pakistan ^{is} ~~also~~ ^{government} has to. Since 1994, dollar ^{is} valued 90% against rupee. Hence, currency depreciation makes it more expensive

3) Fuel Cost and Dependency on Imports:

IPPs rely on Thermal power plants for which government import fuel. Currently, 62.5% of installed capacity and 51.79% of all electricity generation is based on imported fuel. Around 60-65% of fuel used in

in these IPPs is imported. Any so these IPPs are very vulnerable to fluctuations in global oil market. It can be seen in the Russia-Ukraine war, in which prices became high and had negative impacts Pakistan's economy, for because of producing power at high cost.

4) Circular Debt and Economic Impact:

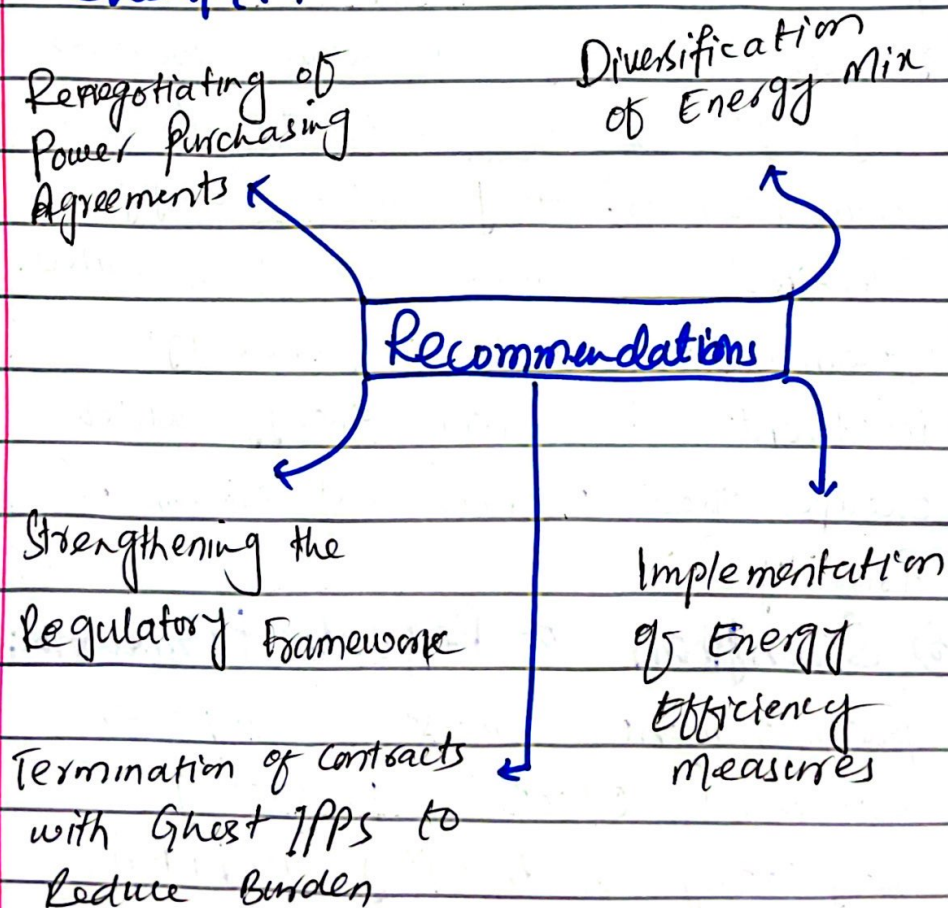
Circular debt represents the unpaid due to power producers, fuel suppliers and transmission companies. Circular debt increased to Rs 2.63 trillion in July Jan 2024. Any delay in payment of dues result in low production of electricity which further leading to economic stagnation. Government increases electricity prices regularly for circular and capacity payments which adds more burden on masses.

5) Ghost IPPs and Prevailing Corruption:

All IPPs are not in production conditions. Out of 42 IPPs ~~at~~ 35 are producing electricity.

Remaining are getting capacity payment from government for not producing a single since long. In order to pay to these IPPs government increases taxes and duties on electricity. Besides, dominant class of Pakistan own these IPPs. Administration of Power division and transmission companies are involved in corruption and making huge profits instead of producing electricity.

Recommendations to Make Electricity Cheaper:



1) Renegotiating of Power Purchasing Agreements (PPAs):

The agreements signed in 1990s and 2000s need to be renegotiated in the prevailing economic crisis. The model of "Take or pay" should be remodeled as "Take and pay". The new model will ensure capacity payment to LPPs on the basis of power consumption. It will reduce financial strain on government.

2) Diversification of Energy Mix:

Pakistan has a great potential of producing electricity from renewable resources. Currently, Pakistan produces only 7% of its electricity from clean resources. ^{Pakistan's} only solar energy potential is more than 100,000 MW. Government needs to encourage investment in clean energy which is cheaper than thermal and environment friendly.

3) Strengthen of Regulator Framework:

Government must empower National Electric Power Regulatory Authority (NEPRA)

to enforce stringent regulation across the board especially in dealing with IPPs. NEPRA must ensure that tariffs and duties are set to reflect actual cost of production and distribution. Implementing such ^{rules} ~~policy~~ regulation would help government to reduce circular debt.

4) Implementation of Energy Efficiency Measures:

Government must take steps to reduce demand of electricity. More than half of energy generation is based on imported oil. Besides, it must invest in smart grid technology to reduce transmission and distribution losses. According to report by Ministry of Power Division, transmission and distribution losses accounts for 18% to 20% of total generation. By such measures the cost of electricity could be reduced.

5) Termination of Contracts for ~~Re~~ with Ghost IPPs to reduce Burden:

Some IPPs are not functioning

Q#01

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and receive payments for maintenance in the shape of capacity payments. Government and IPPs for greater national interest close such IPPs. The losses of investors must be compensated through investment in green energy. The termination of contracts with ghost IPPs will ease burden on government as well as on public.

Conclusion

II

The prices of electricity is rising day by day due economic instability in the country. Currently these IPPs producing energy from imported oil and generating hyper expensive electricity. Depreciation of rupee makes it difficult both for government and public. Government increases duties and taxes regulatory due to capacity payment. There is a solution to hyper electricity that government encourage investment in renewable energy. Renewable energy is cheaper and cleaner than energy produced by IPPs.

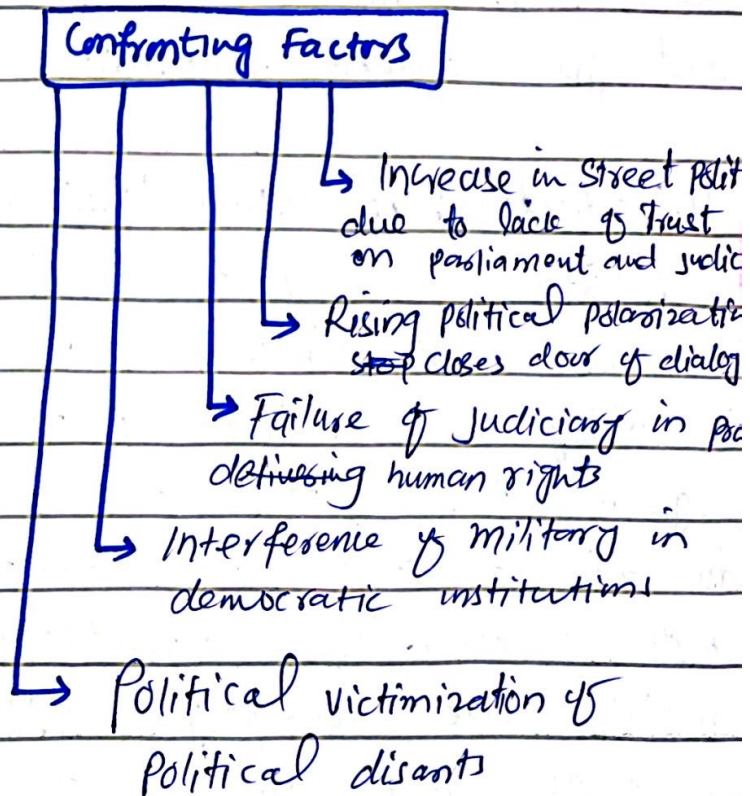
Q#4 A Complex Political Situation has emerged in Pakistan where opposition, coalition government, military and judiciary are increasingly confronting each other. Critically evaluate the situation and give workable solutions.

Introduction; A complex Political Situation:

Pakistan faces political instability of its worst kind. Political polarization is rising and political parties, ^(opposition) government, military and judiciary are in a state of confrontation with each other. This confrontation is mainly due to allegedly rigged elections in 2024 and ouster of ex-Prime Minister ^{in 2022,} now incarcerated in prison.

There is continue political victimization of the political disants. Besides, political parties and government, parliament, military and judiciary are interfering each other domains. Such prevailing political instability has dire repercussions on economy. There is a need of greater dia national dialogue to end political polarization and protect citizens rights.

Factor Behind Increasing Confrontation among Coalition Government, Opposition, Military and Judiciary:



1) Political victimization of Political Disants:

Political disants and opposition face political victimization for criticizing government performance. Members of the opposition party are in jails including women parliamentarians. victimization is reached to such a peak that

Government is not ready to allow members of National Assembly and Provincial Assemblies to attend session.

Government using all its influence to dissent voices and in such condition opposition parties are ~~not~~ not ready for any cooperation with government.

2) Interference of Military in Democratic Institutions:

Military establishment being of the most disciplined and powerful institute using its ~~power~~ authority and clout to influence decisions of Judiciary, and parliament. This is evident in recent 26th constitutional amendment when lawmakers accused establishment for pressurizing them to vote in favour of the amendment. Besides lawmakers, **Judges of Islamabad High Court** also accused intelligence agencies of meddling in judiciary affairs. In such situations military interference fan the flames of already divided and polarized society which result in confrontation among stakeholders.

3) Rising Failure of Judiciary in Protecting Citizens' Rights:

The failure of judiciary in the protection of citizens' rights eroded trust of the people. Judiciary was also failed when ^{coalition} government which was with support of military refused to implement Supreme Court orders in Punjab and Khyber Pakhtoon Khawa ^{to} conduct elections.

Executive blames judiciary for some of its partial decisions and judicial activism. Judiciary faces challenges in the implementation of its verdict relating to citizens. The abduction of opposition party members and not presenting them court causes confrontation among government, military and judiciary.

Rising Political Polarization Closes Doors of Dialogue:

Prevailing political polarization owing to political victimization and lack of trust among democratic institutions closes the doors of consultation and dialogue. Political

parties, and government are not ready to resolve issues by dialogue. Government uses its force and opposition protesting leading further instability in the country.

5) Lack of Trust on Parliament and Judiciary Give Rise to Street Politics:

The failure of parliament to be a common house for opposition and government consultations and resolving issues

eroded trust of the people - Judiciary also failed in this context, in

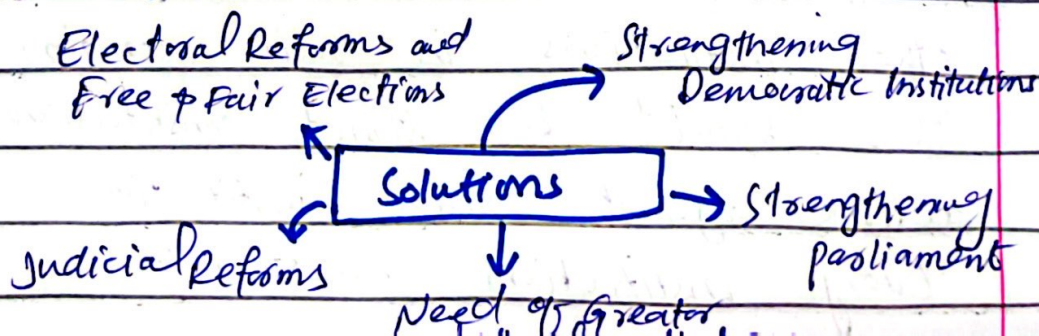
providing impartial justice - Opposition blaming parliament for being under influence of military and is powerless.

When opposition voices are silenced inside parliament and then they come

to streets for solving major issues of politics. Such scenarios lead to

political confrontation among government, opposition, military and judiciary.

Workable Solutions for Ending the Confrontation:



1) Electoral Reforms can Ensure Free and Fair Elections which would Result Political Stability after Elections:

The current electoral system is need to be reformed as it is its failure that it could not ensure free and fair elections. Opposition is not ready to accept election of Feb 2024.

The Election Commission of Pakistan should provide an equal ground for all political parties. It should resolve issues of candidates at urgent bases to ~~ensure~~^{prove} its fairness. A free and fair election could bring political stability in the country when people are satisfy with its fairness and transparency.

2) Strengthening of Democratic Institutions to work in Their Domains:

All democratic institution must be strengthen to stop interference of other institutions in their domain. There should be strict constitutional actions against such institution. Every institution must follow

and respect the constitution of Pakistan.

Article 6 of the Constitution should be imposed on those who violate their constitutional role and interfere in other institutions working.

3) Strengthening Parliament to become a Neutral Ground for Opposition and Government: an

Parliament must be strengthened that opposition and government set these to resolve issues peacefully.

Both opposition and Government should respect the mandate of the citizens to work for their prosperity. It should be a common place for all political parties that they restrain from street politics and resolve their political problems.

4) Judiciary Reforms are need of Hour for its Fairness:

Judiciary must show its uprightness and fairness through its decisions.

An impartial judicial system can ensure protection of citizen rights. Judiciary reforms will

and ensure its unbiasedness in verdicts.

The elevation of judges must be through a transparent process. There is need to end being democracy inside supreme court and high courts that all constitutional case should be heard by larger benches ~~and the nation prevailing of b/c.~~

5) Need of Greater National Dialogue:

All ~~state~~ ~~institutions~~, ~~majority~~ ~~including~~

The prevailing confrontation can be ended by calling a greater national dialogue. It must include all political parties and other stakeholders. They must resolve all political and economic issues and formulate policies to bring political stability and sacrifice their petty interests. They should sign a new charter of democracy and economy to uplift the lives of the people.

Conclusion:

The complex political situation is ~~due~~ ^{majority} due to lack of trust and polarization in ~~society~~ ^{society}. The military, judiciary, opposition and government must work in their domain to end confrontation and put Pakistan the way of development.