Mock - 03 (CSS2025)

Current Affairs

Q6:- Load shedding and ballooning electricity prices badly hit the economy of Pakistan. Critically evaluate the Statement and give possible recommendations.

1- Introduction:-

Pakistan has been facing Persistent load shedding for the past two or more decades. The loadshedding in Pakistan remained higher because of multiple factors. Firstly the installed capacity was less, independent power producers reduced their electricity generation. The Pakistan generates the most expensive electricity in Asia and the third most expensive in the world. These two issues severely impacting the economy of Pakistan. These Challenges have far-reaching effects on industrial output, employment, household income and overall economic stability. The critical evaluation of these problems involves understanding their root causes, examining their economic repercussions, and proposing feasible recommendations.

2- Critical Evaluation:-

2.1 Root Causes:-

(a) Energy Supply and Demand Mismatch:-

The energy supply in Pakistan has been consistently lower than the Demand.

"The demand for electricity in Pakistan has grown exponentially, where as the supply has not kept pace due to inadequate infrastructure and investment."
(Energy Consumption and Economic Growth in Pakistan. Renewable and Sustainable Energy Reviews)

(b) Inefficient Energy Infrastructure:-

The existing energy infrastructure is outdated and inefficient. A report by the Asian Development Bank (ADB) highlighted that transmission and distribution losses account for a significant portion of the energy shortfall.

(c) Financial Constraints:-

The energy sector in Pakistan is burdened with circular debt, which hampers the ability to invest in maintenance and new projects. This debt arises from the difference between the cost of electricity production and the revenue collected from consumers. (World Bank, 2020)

(d) Policy and Governance Issues:-

Inconsistent energy policies and poor governance have exacerbated the energy crisis. The lack of long-term planning and reliance on imported fuel has made the energy sector vulnerable to international price fluctuations. (Governance and policy Reforms in

the Energy Sector of Pakistan).

2.2 Economic Impacts:-

(a) Reduced Industrial outputs:-

Load shedding has led to reduced industrial output, as factories and manufacturing units face frequent power outages. This not only decreases productivity but also increases the cost of production as industries turn to alternative, often more expensive, sources of energy. (Impact of loadshedding on Industry: Evidence from Pakistan).

(b) Unemployment and Income Reduction:-

The reduced industrial activity has a direct impact on employment. Workers face lay offs or reduced working hours, leading to a decline in household income and increased poverty. (Energy Consumption and Economic Growth: Evidence from Pakistan).

(c) Inflation:-

The rise in electricity prices contributes to overall inflation, as energy is a critical input for various sectors. Higher energy costs translate into increased prices of goods and services reducing the purchasing power of consumers. (The Journal of Energy Economics).

(d) Investment Deterrence:-

The unstable energy situation deters both domestic and

foreign investments. Investors seek stable and reliable energy sources, and the uncertainty in Pakistan's energy sector makes it an unattractive destination (Foreign Direct Investment and Energy Crises in Pakistan).

3- Recommendations:-

(a) Energy Mix Diversification:-

Pakistan needs to diversify its energy mix to reduce reliance on imported fuel. Investment in renewable energy sources like solar, wind and hydropower can provide sustainable and cost-effective alternatives.

(b) Infrastructure Improvement:-

Modernizing the energy infrastructure is crucial. Upgrading transmission and distribution networks can reduce losses and improve efficiency. Public-Private Partnerships can be explored for funding these projects.

(c) Policy Reforms:-

long-term consistent energy policies need to be implemented. A focus on local energy production, efficient energy use, and transparent governance can help stabilize the sector.

(d) Financial Restructuring:-

Addressing the circular debt through financial restructuring is essential. This could involve tariff adjustments, improving collection mechanisms, and reducing subsidies gradually to make the sector financially viable.

(e) Energy Conservation Programs:-

Promoting energy conservation and efficiency can reduce overall demand. Programs to educate consumers and incentivize

energy-saving Practices can have a significant impact.

4- Conclusion:-

Loadshedding and rising electricity prices are critical challenges that hinder Pakistan's economic progress. Addressing these issues requires a multifaceted approach involving infrastructure improvements, policy reforms, finacial restructuring, and a focus on sustainable energy sources. By implementing these recommendations, Pakistan can hope to stabilize its energy sector, boost economic growth, and improve the quality of life for its citizens. The collaborative effort of the government, private sector and international partners will be pivotal in achieving these goals.