

Causes of Load shedding

Load-shedding today is almost entirely caused by acts of omissions and commission of the previous Government during 2018-22. Coupled with high and rising energy prices in the international market, Pakistan's power sector is almost in the operation theatre and simply keep it going is a miracle of a kind not known before in this sector.

A. Slowing Projects, thus denying Pakistan cheaper and indigenous plants

Two projects namely Karot Hydro and Shanghai Thar were delayed: first on account of lack of ownership and project monitoring and the second because of failure to fulfill contractual commitments on already completed projects, thus delaying financial close. Government of Pakistan's failure to open Revolving Account for completed projects like Sahiwal Coal and Hub Power meant no further financing for energy sector under CPEC umbrella. Previous Government either did not understand the CPEC's energy framework or was simply out there to strangle it to slow but sure death.

Power Project	Capacity (MW)	Original completion date	Actual Expected Date
Karot Hydro	720	February 2022	July 2022
Shanghai Electric (Thar Coal Block I and Mine)	1214	May 2022	May 2023

Likewise, another high efficiency project namely **Punjab Thermal RLNG Power Plant at Trimmu, Jhang (1263 MW)** has been delayed for **more than three years** by the PTI Government, first due to its ill-placed enthusiasm for witch hunt through NAB and then by its deliberate delay in achieving financial close.

Had these three projects (**3200 MW in total**) been completed in time, load shedding in urban Pakistan would not have been witnessed in urban Pakistan despite high energy prices in the international market. Two of these do not need any imported fuel and the third is high efficiency LNG plant ((more than 60 percent) which is much more feasible that plants based on imported coal or residual fuel oil.

B. Higher cost LNG because of failure to enter into long-term LNG contracts when international LNG price was low.

There has been lack of planning to execute long term contract for purchasing RLNG. During COVID-19 (Mid 2020) the RLNG prices went far lower in the international market, but that opportunity of buying RLNG at US\$ 3 to 5 per MMBTU was not availed by the then government and no long-term contract was entered at that stage. If such contract had been signed, consumers would have faced much lower electricity bills.

The average purchase price of the RLNG under the long-term contracts which was signed by the PML(N) government has been at price of US\$ 8.02/mmbtu between 2018 to 2022 whereas during same period on-spot average price has been US\$ 9.44/mmbtu, despite huge price dip for two years in the same period on account of covid. Much greater loss has been incurred during recent months wherein spot buying of RLNG has been as high as US\$ 38/mmbtu.

It is a classic case of missing **the stitch in time that saves nine**.

C. High cost of dollar and Circular debt

The Circular debt stock in June 2018 was **Rs.1,152 billion**, which increased to **Rs.2,467** in March 2022 an increase **of 114 percent**, despite major injection out of taxpayer's money. One of the major causes of this rapid rise in circular debt is the depreciation of PKR value from PKR 115 per dollar to PKR 191 per dollar under the watch of PTI Government and under the watch of the caretaker arrangement that was put in place to bring PTI Government into power.

The rise in circular debt has affected Government's ability to pay privately-owned power plants in a timely fashion which, in turn, has piled up liabilities of coal power plants and dried their credit lines. So much so that three major power plants on **coal (total capacity of 3900 MWs)** have such low stock of coal that they are running on part load. In case of one coal power plant, coal is stuck at Karachi port because it has no money to clear the imported stock.

D. Higher Energy Prices in International Market:

Energy prices have risen by roughly 300 percent in last 18 months.

	Jun-18	Dec-18	Jun-19	Dec-19	Jun-20	Dec-20	Jun-21	Dec-21	Mar-22	Apr-22
RFO Rs./M.Ton	58,085	69,719	73,892	69,435	64,092	60,840	78,539	115,891	114,628	128,210
RLNG Rs./MMBTU	1,250	1,580	1,555	1,510	925	1,270	1,534	2,102	2,324	2,671
Coal (HSR) Rs/Ton	18,107	21,031	18,119	18,521	18,907	18,432	26,794	39,771	45,270	63,775
Coal (PQ) Rs/Ton	9,732	10,835	11,468	11,564	13,745	10,277	17,882	36,019	34,292	36,507
Usd/PKR	121.60	139.10	164.50	155.35	168.75	160.80	158.30	177.95	183.20	186.10