PRESS RELEASE

Experts demand to provide affordable energy to people

KARACHI, OCT 10: Caretaker Sindh Minister for Revenue and Industry Muhammad Younus Dagha outlined the need for affordable energy, while highlighting the challenges of Pakistan's energy sector that bogged down by expensive contracts with IPPs and environmentally degrading thermal power generation model.

Mr Dagha was speaking at a dialogue "Energy Sector Reforms in Pakistan's Poly Crisis" organized by The Knowledge Forum here on Tuesday. The session was organised to push for inclusion of social agenda in the demand for energy and power sector reforms. The session also had presentations from Dr Mirza Ikhtiar Baig, industrialist and Chairman of Baig Group; and Dr Khalid Waleed, Research Fellow Sustainable Development Policy Institute and Zeenia Shaukat from The Knowledge Forum.

The recent astronomical cost is considered to be the single biggest issue besieging Pakistan's energy and power sector. However, environmentalists also highlight the high emissions associated with the fossil fuel based energy production model of Pakistan which is mainly reliant on oil, gas and coal, all high CO2 emitting. The energy sector represents 46 per cent of emissions in Pakistan. "Pakistan's deteriorating air quality, poor quality of life index and its climate commitments reflected in revised NDCs demand a move away from the traditional fossil-fuel based mode of energy production."

Dagha discussed how different types of energy can be transformed into each other. For example, he pointed out that we can turn coal into a liquid fuel. He gave the example of South Africa, which developed this technology during apartheid period. This technology allows you to make a substitute for imported oil at a reasonable cost, about $60 per barrel.

Dr Khalid Waleed, Sustainable Development Policy Institute in his presentation explained that after COVID-19 and the Russian war, petrol prices around the world have gone up. He stressed the need for reforms in the country's energy sector, but he acknowledged that this is a difficult and time-consuming task. However, he believes that if the direction is correct, progress can be made.

Dr. Waleed pointed out that Pakistan relies heavily on fossil fuels for its energy mix, and there has been an increase in the use of firewood.

Dr. Waleed highlighted the importance of economies of scale and the need to invest in efficiency. He also mentioned the concept of Carbon Border Adjustment, which means that Pakistan's export industry, relying on coal power, could face higher costs when exporting to European Union (EU) countries. To remain competitive, Pakistan should focus on getting rid of coal and investing in alternative energy sources. Otherwise, imports to the EU will also be taxed, further affecting Pakistan's competitiveness in international markets.

There are opportunities in establishing carbon marketing and selling carbon credits, which can be sold to EU markets. He cited the example of Mangrove projects where $200 million worth of carbon credits were sold by the Sindh government.

Noted industrialists Mirza Ikhtiar Beg said Representing the business sector, Dr Miza Ikhtiar Baig highlighted the issues related to the Independent Power Production sector that have led to an

astronomical rise in the cost of energy rendering the industrial sector uncompetitive. High power cost and high interest rates are a major source of distress for Pakistan’s industrial sector.

Mirza Ikhtiar Beg suggested that Pakistan should stop using expensive imported fuels. Criticising the “waste of gas reserves on CNG for vehicles” he called for the government to divert gas for industrial use. Noting that there is move to renew contracts with IPPs, Dr Baig highlighted the opportunity to shift the contracts from capacity base to competition base through bidding, whereby only those IPPs that offer the cheapest power are selected for power generation. He called for power sector reforms including increase in recovery and shutting down of inefficient power plants-

Ms. Zeenia Shaukat, Director of TKF talked about problems in the industrial sector due to the energy crisis. In Pakistan, electricity is used mostly by households (46.6%), followed by the industry (28%) and agriculture (20%).

Pakistan has increased its capacity to generate electricity by 60% since 2014. But studies show that there isn't a clear link between energy and economic growth. Still, energy is crucial for Pakistan's economy to stay strong in the long run.

For industries, the price of energy is really important. In Pakistan, each company faces power outages for about 22 days in a year. And in total, about 50 per cent of firms experience electricity shortages.

Independent Power Producers (IPPs) play a big role in the energy crisis. They generate energy using methods like thermal power, which relies on imported oil and is paid for in dollars. This makes the cost of energy go up, but Pakistan doesn't earn enough from the energy sector. In fact, it's almost a negative situation.

To save money, Pakistan has been trying to use less oil. Oil and gas are running out, and coal is seen as a cheaper option. But the big problem is pollution, and this is making healthcare more expensive.

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