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Economic survey 2019-20: Energy sector bottlenecks mar business activity

ISLAMABAD: Although the energy supply has generally improved over the last few years, the challenge of rising circular debt continued to haunt the country during current fiscal year as the economy struggled to take full benefit of lower international oil prices and higher share of hydropower.

"The present government after taking over made concerted efforts to clear the circular debt, however, the same has continued to rise," the Pakistan Economic Survey 2019-20 noted, adding the government was engaged with the International Monetary Fund and the World Bank to address it appropriately to ease down the liquidity problem.

The survey goes on to add that supply side bottlenecks in the energy sector had adversely affected the country's economy in the last 15 years. Although the added capacity in recent years has helped in easing issues at generation side, yet the transmission and distribution side inefficiencies have hampered the sustained delivery of energy services. "Moreover, higher energy prices have also increased the cost of doing business".

The share of renewable energy has steadily increased over the years but declined in July-April 2020 as compared to same period in 2019. The shares of hydro and nuclear power in the energy-mix also increased in FY20 as compared to FY19.

The share of hydropower in total electricity generation increased in FY20 as compared to a year ago. Currently, thermal energy has the largest share in electricity generation. Gas and Re-gasified Liquefied Natural Gas (RLNG) are other cheaper sources. Significant growth of RLNG usage in energy mix has helped in improved supply to various power plants like Bhikki, Haveli Bahadur Shah, Balloki, Halmore, Orient, Rousch, Kapco, Saif and Sapphire. Moreover, RLNG is also being supplied to fertiliser plants, industrial and transport sectors.

Data showed that share of hydroelectricity increase in overall generation from 25.8pc (24,931 Gigawatt hour) in July-April 2019 to 30.9pc (27,270GWh) while thermal's share dropped from 63pc in FY2019 (61,000GWh) to 58.4pc (51,629GWh) in FY2020. Nuclear power share increased from 3pc (2,900GWh) in FY2019 to 8.2pc in FY2020 (7,049GWh) in FY2020.

There was no significant change in the consumption pattern of electricity. However, in July-April 2020, the share of agriculture in electricity consumption has been decreasing due to improved rain pattern for major crops. The share of household consumption also increased from 38pc to 44pc while the share of industry dropped from 34.5pc to 29.45pc.

The survey reported significant progress in the China-Pakistan Economic Corridor programme. It said the CPEC portfolio comprised three hydropower projects of 2,714MW and nine coal-based projects of 8,220MW. Of this, four coal projects of 4,620MW have been commissioned while another three coal projects of 1,980MW and two hydropower projects of 1,590MW were at advance stages of development and lined up to be completed during 2020-22.

The survey noted that Pakistan may have save up to $8-9 billion through lower import bill and if the government passed on 50-60pc of the benefit of the drop in oil rates to the public, it can generate sizable economic stimulus.

The indigenous gas supplies contribute about 38pc in total primary energy supply mix of the country. Pakistan produces around four billion cubic feet per day (bcfd) of indigenous natural gas against an unconstrained demand of over six bcfd. To meet the shortfall, the government initiated the import of LNG.

The government is pursuing its policies for enhancing indigenous gas production as well as imported gas to meet the increasing demand of energy in the country. At present, the capacity of two Floating Storage and Re-gasification Unit (FRSU) to RLNG is 1,200 MMCFD. Accordingly, RLNG is being imported to mitigate gas demand-supply shortfall.

Petrol consumption in the country stood at 7.6 million tonnes per annum, out of which 30pc is being catered from local refineries and rest is being imported. Similarly, the consumption of diesel is around 7.3m tonnes per annum. The local production can meet 65pc of the total demand, while rest is being imported.

At refining side, five refineries namely; Parco, NRL, PRL, APL and Byco are operating in the country. Byco leads with major share in installed capacity by 38pc followed by Parco and NRL by 23pc, 15pc respectively while APL and PRL possess 13pc and 11pc share respectively in domestic installed capacity.