

### **Expensive energy 'biggest' problem**

Prime Minister Imran Khan while addressing the World Economic Forum (WEF)-sponsored Country Strategy Dialogue on Pakistan stated that expensive energy is Pakistan's "biggest" problem - 25 percent more expensive than in neighbouring India. The Khan administration should be given credit for the Memoranda of Understanding (MoUs) signed with Independent Power Producers (IPPs) that would reduce the negative impact of the financially crippling contracts on end consumers, industrial, commercial and householders - contracts signed by previous governments. It is also not in question that the PPP-led coalition government (2008-13) and subsequently the Sharif administration (2013-18) took some seriously flawed decisions with respect to the energy sector, including: (i) the rental power projects (2010) violated Public Procurement Regulatory Authority (PPRA) rules as per the third party audit and were declared void ab initio by the Supreme Court; (ii) setting up generating plants away from the source of fuel – coal plants established in Sahiwal on imported coal whereby coal transport not only raised the per unit cost but also became a serious environmental hazard; (iii) the entire focus during the Sharif administration was on raising generating capacity without raising transmission capacity thus while generation capacity rose to over 38000MW transmission capacity remained stagnant at around 16000MW. At present, all major works of the 886km transmission line undertaken by Pak Matiar-Lahore Transmission Company, launched during the Sharif administration under the China Pakistan Economic Corridor have been completed, able to evacuate 4,000MW power from plants in south to urban load centres in Punjab, but the project would become operational next month - December 2020; and (iv) a rising circular debt reflective of inefficiency across the board with high receivables due to theft and nonpayment of bills by the private sector and government entities, transmission and distribution losses higher than the international average and procuring more loans and passing on the costs to the hapless consumers.

However, to lay the entire blame for sector inefficiencies on previous administrations two years and three months into the tenure of the incumbent government is no longer tenable. Circular debt that the Khan administration inherited was a whopping 1.2 trillion rupees; however, today it has risen to 2.3 trillion rupees – an unprecedented rise in the history of Pakistan's energy sector. The government claimed in June 2020 a transmission capacity of 22000MW; however, the distribution losses continue which accounted for hours of load shedding during the 2020 summer. And there are also claims by the Khan cabinet members that the previous administrations did not focus on renewable energy – a claim that is not backed by available data with wind projects (including Gul Ahmed Wind Power Ltd set up by Descon Power Solutions in 2016) and solar projects becoming operational between 2013 and 2018. However, these are not considered reliable which is why they are connected with other power sources.

Prime Minister Khan then proceeded to highlight his pet themes ranging from: (i) refusing to completely lock down the country and instead creating a balance between containing the virus and insulating 70 percent of the affected people from hunger. His administration deserves unreserved credit for containing the impact of the first Covid-19 onslaught though in the second wave the government has yet to announce any support package; (ii) the government's role as a facilitator to private enterprises averring that this is the first government since the 1960s that wants industry to make a profit. This is an inaccuracy as barring the tenure of Z A Bhutto all subsequent administrations, including the incumbent one, molycoddled private sector industry through fiscal and monetary incentives that many economists argue disabled our industry from competing with their counterparts in other countries; (iii) ensuring farmers get paid while seeking suggestions on how to cut out the middlemen (a system that maybe possible through setting up cooperatives); (iv) claiming that the economic team is handling the price rise through the price monitoring committees. However, its focus is on administration rather than on containing the budget deficit which is a highly inflationary policy; and (v) claiming success of his government's economic policies which are at present being challenged by domestic independent economists.

It is important to note that the prime minister's growing reliance on his advisors and special assistants for information on their portfolios' performance is not the right approach to the situation. He would be well advised to seek an alternate independent view instead of blaming all justified criticism either on failure of his media team to present the government's narrative in an appropriate manner or on a bias of those analyzing his government's performance.