



**INSTITUTE OF  
STRATEGIC STUDIES**

web: [www.issi.org.pk](http://www.issi.org.pk)  
phone: +92-920-4423, 24  
fax: +92-920-4658

*Report – Public Talk*

# **“Resolving Pakistan's Energy Dilemma: Critical Starting Point and Role of CPEC”**

**April 18, 2019**



*Rapporteur: Mian Ahmad Naeem*

*Edited by: Najam Rafique*

## PICTURES OF THE EVENT



The Institute of Strategic Studies Islamabad (ISSI) organized a Public Talk titled, "*Resolving Pakistan's Energy Dilemma: Critical Starting Point and Role of CPEC*" on April 18, 2019. Mr Ziad Alahdad, Former Director of Operations and Lead Energy Specialist, World Bank was the guest speaker at the occasion.

Welcoming the speaker and guests, Chairman BOG, ISSI Ambassador Khalid Mahmood, said that the topic is very important especially in the case of Pakistan which has gone through one of the worst energy crises in its history. The shortfall of energy in domestic and commercial sectors has become an obstacle for social and economic development in the country. He said that with an average shortfall in the power sector of around 4,000 MW and nearly 2 billion cubic feet per day (BCFD) in the natural gas sector, the chronic power shortages, in the form of load-shedding and power outages has cost billions of rupees to Pakistan's economy every year.

The fluctuating oil prices in the international market, higher cost due to gradual phasing out of subsidy and the circular debt problem have also exacerbated the country's power supply deficit. GoP is taking diverse measures to circumvent this crisis. These efforts include: expansion and refurbishment of the existing power plants; induction of new power plants — mainly under the China-Pakistan Economic Corridor (CPEC); encouragement of renewable energy; and acquisition of power from captive power plants.

Due to limited energy resources and poor infrastructure, Pakistan has looked towards resource-rich countries to secure energy supplies. The Central Asian Republics (CARs) have an abundance of energy resources and are looking for markets to export their surplus energy resources. In this regard, the Central Asia South Asia-1000 (CASA-1000), Turkmenistan-Afghanistan-Pakistan-India pipeline (TAPI), and Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan (TUTAP) electricity project have been launched. The development work on these projects is already underway. Iran-Pakistan (IP) gas pipeline also remains under close consideration.

The Chinese and Pakistani leadership has reiterated their commitment to CPEC and underscored its role for economic development of Pakistan. With successful completion of some of the infrastructure and energy related projects, both countries are now moving to work on social and economic development projects which show the commitment of the Chinese people to the people

of Pakistan. To facilitate industrial production at low cost, massive investment from China is being carried out in the power sector. Several coal fired, hydroelectric plants, as well as power generation from wind and solar, besides nuclear power plants are being established. A substantial increase in power generation within the scope of CPEC is envisaged from coal including both imported, as well as indigenous lignite coal from Thar. The total increase in power capacity is estimated to be about 10,700 MW in the next 12 years.

He hoped that intellectual endeavors on the subject by ISSI will encourage others in our academia to address this important subject and the role of CPEC in solving Pakistan's energy problems and providing tenable solutions to overcome this menace which has been affecting our economy for the past decade.

Mr. Ziad Alahdad gave a detailed power-point presentation on the topic. He stated that the critical situation in Pakistan's energy sector continues to be a primary constraint on the country's economic development. He emphasized that the state of the energy sector (and by extension the economy) is not beyond redemption. He said that in every crisis there is opportunity, and Pakistan, with its many crises, should have as many opportunities. He attributed the widening energy deficit to lost opportunities, prohibitive delays, poor implementation, and reform reversals. The CPEC program, and particularly its energy components have offered a crucial lifeline to Pakistan. If properly implemented, its potential benefits in terms of its sheer size, its contribution to GDP, foreign direct investment, infrastructure development, are of a magnitude never encountered in Pakistan's economic history.

Mr. Alahdad maintained that CPEC is not simply about providing funds. It is implicitly calling on Pakistan to catch up on the backlog of reform, improve governance, enhance security and build capacity to mobilize funds on viable terms. CPEC is a well-thought out initiative designed to develop Pakistan rather than increase its dependence on handouts. In effect, China is urging Pakistan to do what is needed for its transition to an economically powerful nation. In serving its own strategic interest of gaining access to the Arabian Sea, China is also investing in CPEC's success. If managed correctly, CPEC could help turn Pakistan around. If not, it could become a major liability. There is no middle ground. With the limited options that Pakistan has, this is an opportunity it cannot afford to squander.

Pakistan's policy makers have been successful in articulating the overall objectives for energy policy within a national development context, the problem is not what the objectives are but how they can be achieved. Mr. Alahdad said that the absence of coordinated policy formulation is a fundamental issue. He introduced the concept of Integrated Energy Planning and Policy Formulation (IEP) and the institutional structure which supports it. Without this, he maintained, decision-making in the sector remains flawed, and policy initiatives are reduced to shooting in the dark. Rather than offering prescriptive solutions, he advocated building Pakistan's own capacity to facilitate sound policy decisions. China, he said, has always been a proponent of the integrated approach which it used in designing CPEC's energy interventions. CPEC seeks to nearly double the current power grid. It focuses on indigenous energy sources, designed to reduce dependence and enhance energy security. It introduces solar and wind power at a scale never before envisaged in Pakistan. There is clearly a balance between environmentally benign renewable energy resources (hydro, solar and wind) and a polluting fossil fuel (coal) the reserves of which are too large to ignore. China has extensive world-class expertise in each of these areas from manufacturing, project design, installation through to operation. It is a world leader in research and development in solar and wind technology.

Mr. Alahdad, further stated that the IEP mechanism, tried and tested the world over, is not new to Pakistan where it was introduced in the early 1980s. However, over time, with declining institutions and erosion of human capacity, the effort was abandoned. This was partly because IEP lost favor with international institutions on the presumption that market forces would lead to the right policy choices. This was not valid for the special issues in Pakistan. As a result, what is now in place is an ad-hoc process frozen in the short-term, which responds to crisis situations instead of averting crises through a long-term vision. The CPEC energy program addresses this very concern. He added that the key element in IEP, perhaps the most difficult and therefore requiring strong political and administrative will, is the restructuring of policy institutions to reverse the unchecked fragmentation that has occurred over the years. In other words, to consolidate policy institutions into a single ministry of energy. The recent merger of the Ministry of Power with the Ministry of Petroleum and Natural Resources to form a Ministry of Energy, is a positive first step. But hydropower has been moved out to a new Ministry of Water Resources. The latter step is a reversal.

Mr. Alahdad demonstrated how IEP can address the serious issues confronting the sector including the growing deficit, the low utilization of existing resources, developing the optimum energy mix, circular debt, subsidies, and most importantly, alleviating the burden of the poor through pro-poor energy policies. In the latter endeavor, who better than China to seek advice from, given its economic miracle of raising over 600 million out of poverty. He emphasized that the skills necessary for re-invigorating IEP are available locally and can be deployed rapidly. Combined with the consolidation of policy institutions, a strengthened policy environment can emerge, capable of addressing Pakistan's special energy issues. This will help it to emerge from the short-term crisis management mode, paving the way for Pakistan to eventually become a net energy exporter. He further reiterated that with universal recognition of the crisis and the advent of CPEC, the time to act is now.