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**The return of loadshedding**

Loadshedding is back. In some places for two hours a day, in some places for four or more – but it is back. It took Nawaz Sharif and his PML-N energy team, led by Shehbaz Sharif, Shahid Abbasi and Khawaja Asif, five years of planning and hard work to end this menace. Yet in three years Imran Khan and the PTI, due to a combination of graft and incompetence, have brought loadshedding of both gas and power roaring back to Pakistan.

Readers will recall that up until a few weeks back, before the advent of widespread loadshedding, PTI leaders were crying themselves hoarse claiming that the PML-N set up too much capacity to produce electricity. But if there is excess capacity, why is there power shortage? Before the PTI answers this by saying there is a shortage of LNG or gas, we will point out that every gas-fired power plant in Pakistan runs on two or more types of fuel, so shortage of gas is not the right answer. Besides, who created the gas shortage?

Last winter, when the PTI was buying only expensive LNG on the spot market and decided to miss an historic opportunity to buy long-term LNG at the height of Covid-19, there was this false claim that the PML-N had contracted for too much LNG and we needed to import more LNG only for a few weeks in the winter, otherwise we had plenty of gas. Now of course during peak summer we are experiencing devastating shortages of gas.

The reluctance of the PTI government to contract for long-term LNG and keep buying much more expensive LNG in the spot market is inexplicable. Even the one long-term agreement that it reached with Qatar Gas starts to deliver LNG next year, and in the meantime we are forced to buy more expensive LNG in one-off deals. To make matters worse, the government keeps delaying the decision to buy LNG to the last minute, thus Pakistan ends up buying more expensive LNG than almost any other nation.

Last year at the height of the pandemic, the current government received an offer from an energy company Trafigura to convert our existing Qatar Gas, Gunvor and ENI contracts to a fixed price of about $4 per mmbtu and to supply additional LNG also around this price. This was one such offer sent in writing. Had the government wanted, it could have got other, perhaps even better, offers. Yet for reasons best known to the government, it decided to forego this once in a lifetime opportunity. As a result, today this government is paying about $200 million more monthly for LNG.

Even though it bungled up on the purchase of LNG and didn’t install any new LNG terminals, the PTI is unwilling to accept responsibility for the ongoing power and gas loadshedding. As is its habit, it is blaming the PML-N. Having blamed the PML-N in the past of setting up too many power plants and buying too much LNG, and seeing both of these false accusations getting buried under the weight of the current duel loadshedding, the PTI is now saying, again falsely, that the PML-N didn’t put in enough transmission lines for the new power plants it set up.

In reality however, there is not a single power plant from which power cannot be fully evacuated. And there is never a situation where one power plant cannot be evacuated because power from another is already being transmitted. Of course, it is possible – especially as demand and supply both are increasing – that some local bottlenecks would spring up, but then this government has had three years to address them. Has it?

Two more excuses it makes for the mess it has created in the power sector is saying that the PML-N setup expensive plants and that the capacity payments the government has to make to power producers is too high. To understand the baseless nature of these two points, let’s examine the power plants we had before 2013. Our typical furnace oil-fired power plants were producing electricity with a fuel cost of around Rs15 per unit. Four gas plants installed in Gen Musharraf’s time were running on diesel costing over Rs20 per unit in fuel cost alone. The PML-N government’s first priority was to add some LNG quickly into the system and convert the Musharraf-era plants to LNG and bring the fuel cost to Rs7 from over Rs20 per unit.

Next, we set up three large LNG-fired plants in the government sector which have cheaper capacity costs per unit than the Musharraf era gas plants, are 20 percent more efficient and produce power at a total cost (fuel plus capacity) of less than Rs10 per unit. This is cheaper than just the fuel cost of the furnace oil plants. When total cost per unit of newer technology power plants – whether of coal or gas – is less than just the fuel cost of furnace oil or diesel power plants, the older plants should never be run as they have become obsolete. For the PTI to say that the PML-N’s LNG or coal plants are more expensive, and then produce power on diesel or furnace oil makes absolutely no commercial sense.

We have repeatedly challenged anyone to show one gas-fired power plant anywhere on the planet that is cheaper than the ones installed and owned by our governments in Bhikki, Baloki or Haveli Bahadur Shah. After three years of the PTI government they should either show one example or apologise for the false accusations.

Furthermore, the coal power plants installed by private investors under Nepra’s cost structure during the PML-N’s time are producing the cheapest thermal power in Pakistan.

What the PTI says about capacity cost increasing in the coming years has merit only if viewed in isolation. But there are three factors that must be viewed with it. First, all the nuclear (2800 MW), gas (3600 MW) and hydro (2400 MW) are owned by the government so capacity payments are being made by the government to itself.

Second, the government doesn’t tell you that with the higher capacity cost we can now generate more than twice the power. In 2013, for instance, we couldn’t generate more than 12,500 MW of power. Today, we can do more than double that number. In 2023 the World Bank estimates that Pakistan will have 34,000 MW capacity against 31,500 MW demand. This is about as good a balance as we can expect.

And, third, the PTI government doesn’t tell you that, whereas the fixed capacity payments are going up, there are greater savings in fuel costs due to the new plants. Again, the total capacity plus fuel cost of the new LNG-fired plants is less than just the fuel cost of the furnace oil-fired plants.

The government of Pakistan, under any political party or a martial law, has never been very efficient. The PML-N’s power infrastructure policy and implementation was one of our nation’s rare successes, where in five years we ended debilitating power and gas shortages and laid the infrastructure for meeting our national needs for now and a few years to come. Yet in three short years – because of its love for furnace oil, aversion to long-term LNG deals and epic incompetence – the PTI has brought back power and gas loadshedding to Pakistan.

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