Introduction to ADB's Energy Sector Operations in Pakistan

Joonho Hwang

Director

East, Central and West Asia Team

Energy Sector Office

Sectors Group

Asian Development Bank

19-23 August 2024| ADB Headquarters, Philippines

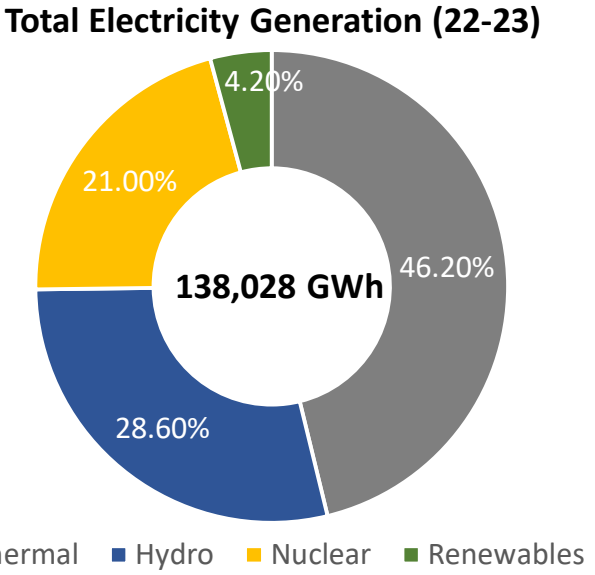
1 Energy Sector Overview

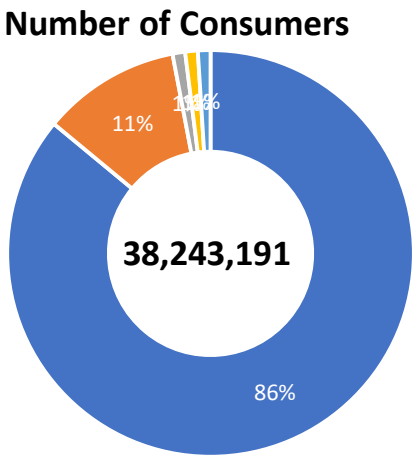
Pakistan has

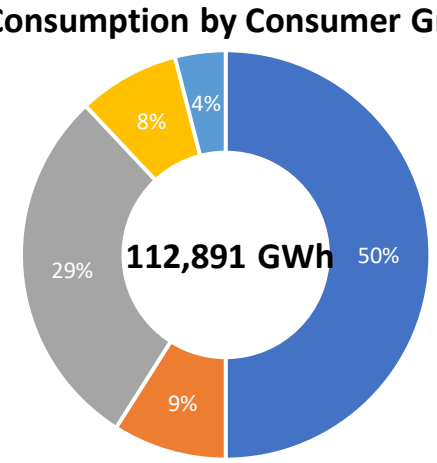
- Total Installed Capacity: 45,885 MW
- Total number of consumers: 38,243,191 (86% domestic, 11% commercial, and others)
- Total technical potential of renewable energy resources of 3.3 TW, including hydropower.

Key Challenges and Opportunities

- High generation cost relying on imported fossil fuel
- Energy supply chain efficiency
- Transmission and distribution system, and last-mile access to energy
- Fiscal constraints in covering the sector's losses
- Sector governance and planning







Domestic Commercial Industrial Agriculture Others

2 ADB's Energy Sector Operations in Pakistan

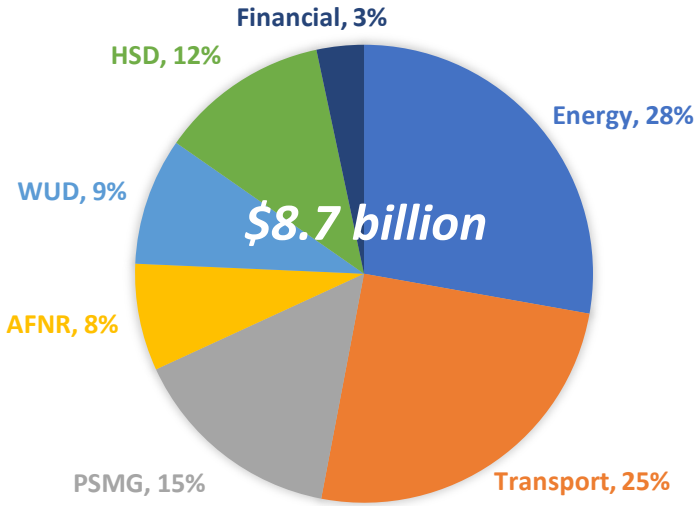
Energy Sector Operations in Pakistan

- Largest development partner in the sector
- Largest portfolio in ADB's Pakistan operations
- $2.6 billion active portfolio including $237 million non-sovereign operations.

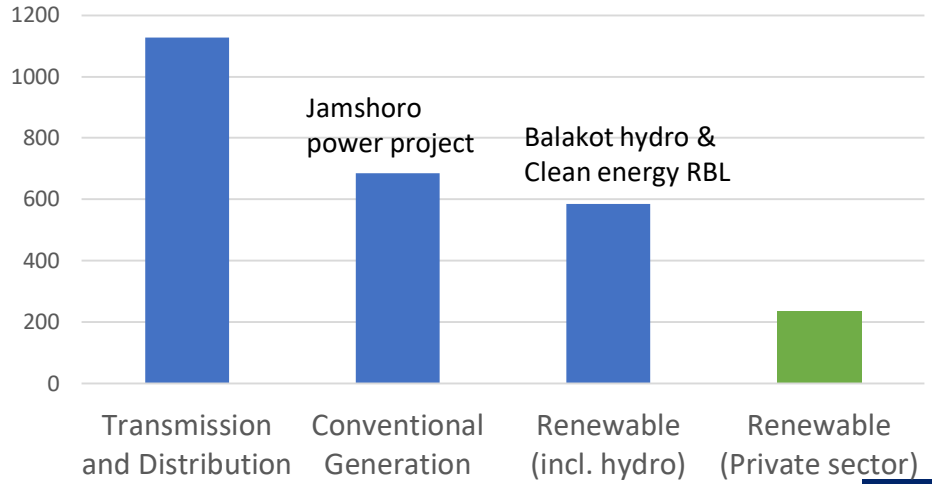
Characteristics of Operations

- Covering the whole energy supply chain with focus on transmission and distribution (T&D) and energy transition
- Long-term engagement in T&D sector through multiple MFF approaches
- Sector specific policy-based operations with IMF and World Bank to advance sector reforms
- No new non-sovereign investments since 2018

ADB's Pakistan Portfolio



Active Energy Portfolio ($ million)



3 Power Sector Circular Debt

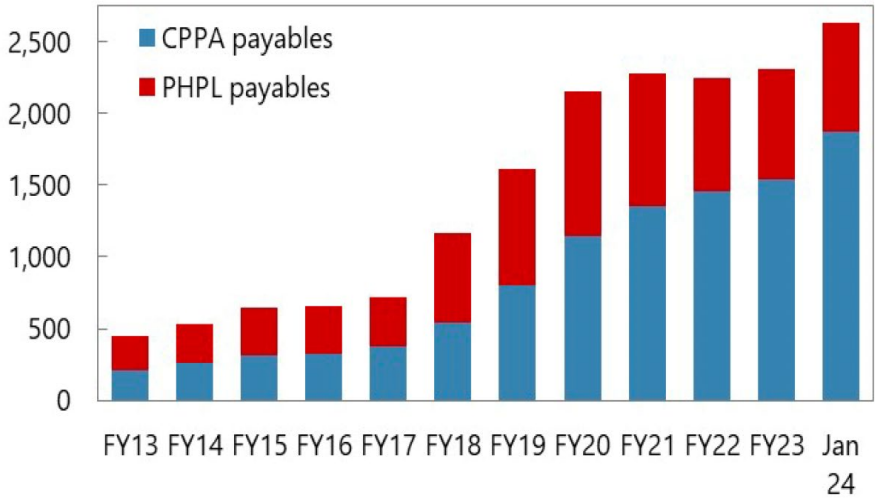
Key contributors to circular debt

- High generation cost
- Delayed tariff adjustment
- Slow improvement in DISCO's efficiencies (line loss and low collection)
- Increasing financing cost
- Untargeted subsidy packages

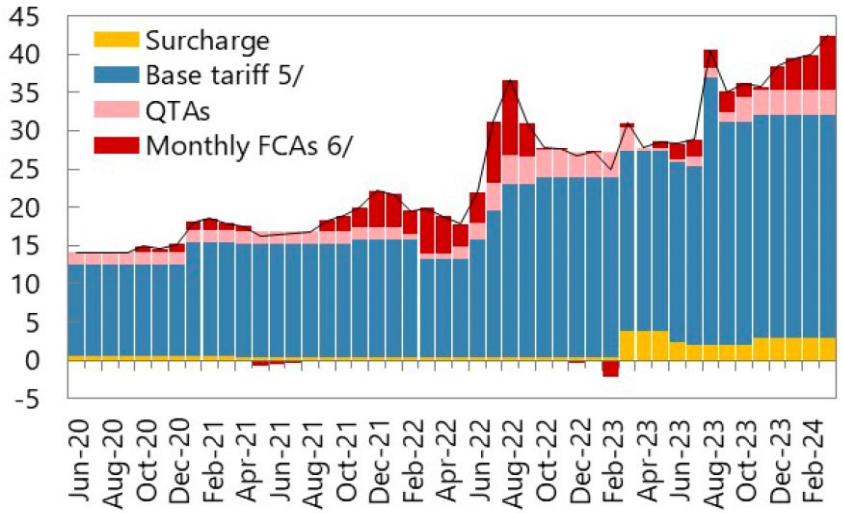
Recent and ongoing reforms:

- Commitments to restoring sector viability and minimizing fiscal risks through timely tariff adjustments
- Targeted subsidy reforms and replace cross-subsidies
- Decisive cost-reducing reforms and investments in energy transition, efficiency and collection improvements

Power Sector Circular Debt (RPs billion)



Power Price (RPs/kWh)



Source: IMF

4 Strategic Direction and Future Plans

DRIVE A SUSTAINABLE AND COMPETITIVE ENERGY SECTOR TRANSFORMATION

STRATEGIC PILLAR 1

Reducing Electricity Costs and Mitigating Climate Change

- Accelerating energy transition by use of indigenous and renewable energy resources
- Off-grid renewable energy solutions for the rural and under-served regions
- Support for integrated energy planning for energy transition
- Climate resilience in the project design and policy landscape

STRATEGIC PILLAR 2

Improving Efficiency and Financial Sustainability of the Energy Sector

- Continued investments in critical transmission and distribution infrastructure
- Application of modern and smart digital technologies to improve resilience
- Focused engagement with DISCOs to cut down losses and improve collections
- Tariff and subsidy reforms

STRATEGIC PILLAR 3

Boosting Competitiveness and Private Sector Development

- Policy level intervention to strengthen sector governance
- One ADB approaches to re-vitalize private sector participation including PPP, privatization
- Exploration of multi-sector and cross-sector operations (urban-energy/ water-energy nexus)
- Application of innovative financing schemes and exploration of sector diversification

5 Case Study – Powering Pakistan's Schools through Solar Energy

6 Case Study – Powering Pakistan's Schools through Solar Energy

Project Overview

- Project Title: Access to Clean Energy Investment Program
- Loan Amount: $325 million (using RBL modality)
- Target regions: KP (mini/micro hydel) and Punjab (solar)

Key lessons learned

- Use of indigenous renewable energy proved to be one of the most efficient ways in improving access in remote and under-served regions.
- RBL is a suitable modality, allowing strong ownership by the project initiators.
- Infrastructure project can be designed more social and gender inclusive, impacting most vulnerable group of people.
- Cross-sector approach can add more value to ADB operations, e.g. combining education components and health components.
- Exploration of diverse business models will help attracting private sector investments.

7 Q&A

Thank you.