

Power Crisis in Pakistan: Scourge of Economic Success in 2000s

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With power surplus from late 1990s to mid 2000s, Pakistan witnessed widening demand and supply gap from 2006 which reached 7,000 MW or almost 30 percent of total generating capacity in May 2011. Chronic power shortages have restricted GDP growth by 2 percent annually, leading to severe public pressure on incumbent governments leading to their departure.

Although the role of supply side constraints in increasing power generation such as slow electricity infrastructure development, irrational power tariffs, circular debt, high transmission losses, low recovery of bills, state ownership of electricity generation, transmission and distribution and bad governance is well established in literature, this paper tries to establish multiple demand side factors to the ensuing power crisis.

The Economic growth of 7 percent during 2002-2007, surged the electricity demand growth from 4 percent in 1990s to 10 percent in 2007, while the generation capacity increased by just 2 percent annually during this period. As the economic reliance shifted from agrarian to manufacturing and services, the electricity demand parameters changed in a manner that higher electricity consumption patterns have set in even in the economic slow down of late 2000s.

With empirical evidence this paper also establishes the link between ease of consumer and industrial credit during high economic growth phase of 2000s as one of the key demand side factors leading to change in electricity consumption patterns in the country, while making cross comparisons with other regional high growth countries such as India during the same period.

This paper concludes by stating the although the demand side factors are the main reasons for the power crisis in Pakistan, however, the failure to effectively manage demand reduction schemes and high inelasticity of electricity demand, the power crisis in the country has exacerbated.