

# Rising energy prices: adverse impact on masses

**In Pakistan, 64 percent of total energy demand is met by fossil fuels, while hydropower's and renewables' share remained at 27 percent and 9 percent, respectively, in 2022-23. The fossil fuels consumption in electricity generation is about 22 percent while the transport's share is about 79 percent. The electricity consumption in the household and industrial sectors remained at 46 percent and 28 percent respectively in 2022-23.**

Pakistan heavily relies on petroleum and LNG imports, which remain around US\$15-20 billion annually. Its domestic crude oil production is about 4.3 million metric tonnes, only 20 percent of the country's total petroleum needs while the remaining 80 percent is met through imports. Natural gas including imported LNG contributes 38 percent of the country's primary energy supply mix. In contrast, total domestic gas production hovered around 4 billion while estimated domestic demand is 6 to 8 billion cubic feet daily. The estimated annual total LPG demand is around 1.4 million tonnes, while 0.88 million metric tonnes are produced domestically, and the balance is imported.

Due to the rapid increase in coal demand, its imports touched the highest level of about 33 million tonnes in 2021-22. It is projected that coal demand in Pakistan will increase to 50 million tonnes by the end of 2030, becoming the second-largest primary energy source. Out of total coal consumption, the power sector consumed 47 percent, cement, and other industries 31 percent, and the brick kilns sector consumed 22 percent during July-March FY2023.

Due to the removal of subsidies, energy prices adversely affected the masses in 2023. Electricity rates in Pakistan are 45 percent higher than other countries in the region. The electricity price is 8 to 9 cents per unit in the region. But in Pakistan, it is 15 cents per unit and is provided to domestic consumers at an average of Rs.40 per unit in 2023. There was record increase in gas prices in 2023 — 174 percent for domestic, 137 percent for commercial, and 193 percent for the industrial sector. Petrol's and diesel's prices stood at Rs.281, and Rs.296 per litre, respectively, in 2023.

In 2021, Pakistan's inflation rate was 9.5 percent, which increased to 13.4 percent in 2022. However, due to the increase in the prices of electricity, gas, and petroleum products, inflation reached a record level of 30 percent in 2023. Electricity expenditure constitutes up to 15 to 20 percent of an average Pakistani household's income. The AC and non-AC coaches' fares jumped from Rs 500 to 3,500. The goods transporters have also increased their fares by an additional Rs 200 per 10km, which hiked prices of essential items.

In 2023, a worldwide research study "Burden of the global energy price crisis on households" using

the data of 201 expenditure groups in 116 countries, concluded that total energy costs of households mounted from 63 to 113 percent, contributing about a 3-5 percent surge in household expenditures. Due to the rising cost of living, an additional 78–141 million people will be pushed into extreme poverty in 2023.

In Pakistan, middle and lower-middle classes lost 30 percent of their purchasing power during the past four years. The official consumer price inflation recorded a cumulative increment of 33 percent per year in April 2022 which means if a person was earning Rs 100,000 a year ago, the nominal income has a purchasing power today of Rs 67,000 while a median income of Rs 30,000, was equivalent to Rs 20,100. UNDP's data also shows that the middle class fell from 42 percent of the population in 2009 to 33 percent in 2023.

The Economic Discomfort Index revealed that the Misery Index, which was about 20 at the end of March 2022, reached about 37 as of January 2023. The unemployment rate in 2020 was less than 4.5 percent, which rose to 6.3 percent in 2023. Business closures also enhanced the unemployment rate to 9.1 percent and about 860,000 Pakistanis went abroad for jobs in 2023. Poverty rose from about 34 percent to 40 percent in just one year, with 12.5 million more people falling below the poverty line. Currently, about 95 million are living below the poverty line in Pakistan in 2023.

The domestic oil and natural gas resources are projected to expire by 2025 and 2030, respectively, in Pakistan. Coal is the indigenous precious product. Estimated coal reserves are of 185 billion tonnes. Its value is about US\$30 trillion while 100,000 MW of power could be produced for 250 years. In India and China, more than 70 percent and 60 percent of electricity is generated through coal, respectively, while this share is 20 percent in Pakistan.

For sustainable and affordable energy, it is the right time to dig out the real potential of domestic coal reserves and increase its indigenous oil and gas exploration. Pakistan must devise a policy to switch its oil and gas-based generation power plants to coal-based power plants. Moreover, there is a dire need to enhance solar-, hydro, wind, and nuclear-based power generation, particularly through public-private partnerships. It will dwindle reliance on imported oil, and LNG, as well as the burden on the masses' lives in the future.

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