

What's the deal with our solar policy?

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This image shows workers installing a solar panel in Jiuquan, Gansu province. — Reuters/file

In the intricate dance between policy formulation and economic stability, the narrative of local investors and consumers emerges as a poignant tale of uncertainty and disillusionment.

The saga surrounding net metering and solar panel utilization stands as a testament to the challenges faced by grassroots economic actors in navigating a landscape characterized by fluctuating policies and regulatory inconsistencies. Beyond mere critique, this discourse embodies a call to action for policymakers to prioritize coherence and foresight in decision-making processes, with a steadfast commitment to safeguarding the interests of local stakeholders.

At the core of this narrative lies the volatility inherent in policy shifts, exemplified by the recent trajectory of governmental directives pertaining to solar panel taxation and net metering incentives. When the current government came into power, it scrapped a 17 per cent tax on solar panels. It seemed like a win for everyone, making solar power more affordable for regular folks.

But now, they are talking about slashing the money people get by selling extra solar energy back to the grid. They want to cut it by 50 per cent, dropping it from Rs22 per unit to just Rs11. This move hits hard when you realize that the regular electricity prices range from Rs22 to Rs65 per unit. This abrupt reversal underscores the fragility of investor confidence in an environment plagued by policy unpredictability. It feels like the government is passing its problems onto everyday people.

The ramifications of policy unpredictability are acutely felt by net metering consumers, many of whom hail from the middle class and have made significant financial sacrifices to embrace solar energy. These individuals have invested their savings and taken out loans to install net metering systems in their homes, driven by the necessity to alleviate the burden of soaring electricity costs. The initial optimism sparked by the government's decision to abolish the 17 per cent tax on solar panels was tempered by the recent proposal to halve the compensation rate for exported solar energy.

For these consumers, the prospect of a 50 per cent reduction in earnings represents not just a financial setback, but a disheartening blow to their aspirations for energy independence and financial stability.

The story gets even more lopsided when you look at how international companies are treated compared to local folks. These big companies, called IPPs, get sweet deals from the government. Recent revelations underscore the preferential treatment bestowed upon IPPs, with a staggering Rs2 trillion earmarked for capacity payments, when plants lay dormant. This sum represents a significant portion of the national budget, underscoring the magnitude of the fiscal burden borne by taxpayers.

Compounding this disparity are the contractual arrangements with IPPs, which guarantee returns as high as 15 per cent in dollar terms, which highlight the currency mismatch along with extensive income tax exemptions spanning the entirety of contract durations. Furthermore, the concessionary terms extended to Chinese IPPs, entitling them to a 20 per cent rate of return in dollars, epitomize the asymmetrical nature of governmental largesse in the energy sector.

Indeed, the imperative for a recalibration of the contractual landscape with IPPs looms large on the horizon, as evidenced by the revelations of overbilling and inefficiencies unearthed in recent audits. The forthcoming expiration of existing contracts presents a salient opportunity to redress the power differentials and renegotiate terms that are more reflective of the prevailing economic realities.

Furthermore, there is the glaring incongruity of subsidizing electricity consumption for select segments – 190,000 in-service and retired energy agency employees annually consume 400 million units of electricity for free. While burdening net metering consumers with unilateral exported unit price reductions, underscores the urgency of fostering a level playing field that nurtures indigenous entrepreneurship.

Over the next couple of years, we're facing a crucial task: rethinking the deals we have with independent power producers (IPPs), the companies responsible for generating electricity. For too long, these companies have held a lot of sway over our energy sector, and it's high time we rebalance the scales. We need to ensure that ordinary people aren't unfairly burdened by changes in government policies.

When we talk about new plans like a new solarization policy, it's vital to remember that local individuals and businesses are a vital part of our economy. If policies keep shifting unpredictably, there is a risk that businesses might decide to move their operations outside of Pakistan.

So, what's the game plan here? First, we need to negotiate fairer deals with IPPs that truly reflect what is in the best interest of our country. Then, we have to actively encourage more local investment in the energy sector and ensure that big corporations do not monopolize all the power. Whatever changes come down the line, they need to be fair to everyone and should not penalize regular people for the government's missteps.

Ultimately, it boils down to creating an energy future for Pakistan that works for everyone. By listening to the concerns of ordinary citizens and making informed decisions, we can lay the groundwork for a stronger and more resilient nation where everyone has an equal opportunity to thrive.

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