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Pakistan’s Economic Future Hinges on Green Energy

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Pakistan’s economic stability now critically depends on transitioning from fossil fuels to renewable energy, according to recent analysis. The country faces mounting challenges from climate change and energy insecurity, with its import-dependent power sector consuming 30% of total foreign exchange reserves. Experts argue that solar, wind, and hydropower investments could slash energy costs while attracting climate-focused international financing.

The current energy mix remains dominated by expensive imported fuels, contributing to circular debt exceeding Rs2.3 trillion. Renewable projects under the China-Pakistan Economic Corridor (CPEC) and World Bank initiatives demonstrate viable alternatives, with solar energy costs dropping 80% globally since 2010. However, infrastructure gaps and policy inconsistencies have slowed adoption, leaving Pakistan vulnerable to oil price shocks in international markets.

Private sector engagement appears crucial for scaling green energy solutions. The State Bank of Pakistan's (SBP) financing scheme for renewable projects has approved Rs65 billion for 1,200 megawatts of solar and wind capacity since 2022. Meanwhile, the Alternative Energy Development Board (AEDB) aims to achieve 60% clean energy by 2030, though transmission network limitations persist. International partners increasingly tie funding to climate commitments, making sustainable energy transitions a fiscal imperative.

As Pakistan negotiates new International Monetary Fund (IMF) programs, green energy reforms could unlock concessional financing while addressing structural economic weaknesses. The transition offers dual benefits: reducing the import bill and positioning Pakistan as a renewable energy hub. Strategic implementation will determine whether the country capitalizes on this opportunity or remains trapped in costly energy dependencies that undermine long-term growth.