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Pakistan's Power Sector Faces Economic Crisis

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Pakistan's energy sector stands at a critical juncture as unsustainable financial practices threaten to collapse the national grid. The power sector's circular debt has ballooned to an alarming 2.3 trillion Pakistani rupees (PKR), equivalent to nearly \$8 billion, according to Ministry of Energy reports. This massive liability stems from systemic inefficiencies, including transmission losses, electricity theft, and delayed tariff

adjustments. The situation has become so dire that independent power producers (IPPs) warn they may soon be unable to continue operations without immediate government intervention.

The root causes of this crisis reveal deep structural problems in Pakistan's energy governance. Distribution companies (DISCOs) lose approximately 18% of generated power through technical losses and outright theft, with some regions reporting loss rates exceeding 30%. Meanwhile, the government continues subsidizing electricity tariffs for certain consumer groups, creating an unsustainable fiscal burden. Energy experts argue that without comprehensive reforms, including privatization of DISCOs and smart metering implementation, the sector will require perpetual bailouts. The International Monetary Fund (IMF) has made power sector reforms a key condition of Pakistan's ongoing bailout program.

Consumers face the brunt of this mismanagement through frequent load shedding and skyrocketing bills. Urban centers experience daily power outages lasting 6–8 hours, while rural areas suffer even longer blackouts. The recent fuel price hikes have further increased generation costs, with the National Electric Power Regulatory Authority (NEPRA) approving successive tariff increases. Business leaders warn that unreliable power supply is crippling industrial productivity and forcing factory closures, exacerbating Pakistan's economic downturn.

The path forward requires tough political decisions that previous administrations have consistently avoided. Meaningful reform must address both the technical shortcomings and the culture of nonpayment that plagues the sector. While the current government has announced plans to digitize collections and upgrade infrastructure, skepticism

remains about implementation. As winter approaches with reduced hydropower capacity, Pakistan faces a make-or-break moment for its energy future. The choices made in coming months will determine whether the country achieves energy security or descends into a permanent power crisis.

