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Exclusive Report on Virtual Conference on Solarization of Pakistan

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Tethyan willing to settle the Reko Diq dispute

The World Bank’s International Center for Settlement of Investment Disputes (ICSID) last year ordered Pakistan to pay damages of $5.84 billion to Tethyan Copper – a joint venture between Chile’s Antofagasta and Canada’s Barrick Gold – for blocking Tethyan from developing the Reko Diq copper asset after it had already sunk more than $220 million into the project in Balochistan.

The ICSID in July 2019 announced $6 billion award against Pakistan which included $4 billion penalty and almost $2 billion in interest as damages payable to Tethyan.

Odds appear to be in favor of a settlement rather than a payout. Tethyan expressed willingness to explore a negotiated settlement thereafter, according to a recent report.

During his official visit to the US in September last year, PM Khan said he received a message that the chairman of Barrick Gold wanted a meeting with him. “The company is interested to resume working on the project and negotiations are under way to bring them back”, Khan said while speaking at the inauguration ceremony of the 1,320-megawatt power plant in Hub, Balochistan – the country’s resource-rich province where Reko Diq copper and gold mines are situated.

Two senior Pakistani officials told a news agency that Pakistan is in talks with Tethyan to settle the dispute despite the fact that supreme court has declared the agreement with Tethyan as a rip-off.

Reko Diq is one of the world’s biggest untapped copper and gold deposits. Development of the asset has been stalled for nearly a decade by the long-running dispute.

The opportunity cost (2011 thru 2019: 8 years) while waiting for the ‘obvious’ to happen is humongous: An estimated 250,000 ounce of marketable and exportable gold daily translated into a revenue stream of $1.05 trillion over the 8 lost years. Gold futures rate in 2011 was $1457/0z and in August 2019 it’s $1454/oz.

Assuming, that the highest gold futures rate could be double the present rate of $1422, the average gold futures rate ($2133) could then yield a total estimated albeit expected revenue stream of $11 trillion over the 56 years process cycle. Over the last 8 years, the total revenue loss by both parties combined and based on 2011 and 2019 gold futures average rate of $1440 (2011 was $1457 & 2019 is $1454) was: $1.05 trillion.

With roughly 25 percent profit/loss equity share held by the country in the highly profitable contract, the revenue lost by the country during this period was $263 billion ($1.05tr x 25%). That equates to yearly revenue loss of $33bn ($263bn/8) during the 8 years. The damages estimate to be $795m for each of the eight years (2011-2019).

By adding the damages to revenue lost over the period, the figure totals $39bn—roughly $5bn each year. The damages announced translates into little over two percent (2.21%) of $263bn in total revenue Pakistan lost over 8 years, contesting the foreign firm’s complaint against Pakistan post Supreme Court verdict in 2011. The 2.21 percent is approx 0.28 percent each year. This could have been avoided from a technological standpoint. Assuming it did not happen then, still, a technological approach is needed as a way forward while the damage announced is appealed and negotiated on all fronts.

Other collateral losses as a result of the contest included time and opportunity costs not being able to make socio-economic improvement in the area which could then have made a huge difference.
Promoting Solar

Solar power to the rescue?

The middle-class families are quietly embracing renewable solar energy from the rooftops of their homes in Lahore. The rooftops boasting rows of solar panels in the affluent localities in major cities have become a more common sight recently as the homeowners catch up with the trend.

But this shift isn’t driven by the global concerns about rising greenhouse gas emissions or environmental degradation; the change is being steered purely by the increasing electricity prices and power cuts, which refuse to go away in spite of surplus generation capacity created in the country over the last five years.

"I will be very happy if it helps the environment but my major concern here is our monthly electricity bill and uninterrupted power supply," smiled Irfan Ahmed, who has a solar generation system outfitted on the rooftop of his newly-constructed house in one of the housing colonies near Lahore’s Allama Iqbal International Airport. "I had my architect add the price of solar panels to my overall building costs before I started the construction."

Though people had started to shift to solar energy as early as the mid-2000s, as the country faced extended power cuts lasting almost half a day or more, the change was extremely slow and patchy owing to the high prices. Initially, only a few major businesses, industries and commercial concerns adopted solar power to replace their inefficient noisy generators that ran on dirty furnace oil. In the mid-2010s, more industrial, commercial and domestic consumers moved to solar power as the government pushed for on- and off-grid renewable energy.

The new alternative energy policy developed by the Alternate Energy Development Board is pushing for enhancing the share of renewables in the nation’s total energy mix from existing five per cent to 20 per cent by 2025 and to 30 per cent by 2030. The AEDB data shows it is pursuing 22 solar projects with a combined capacity of 890.8 megawatts, with six schemes having capacity of 430MW already operational in the country (this is exclusive of solar capacity added by private sector and homeowners).

"The real change has come only in the last couple of years after the removal of taxes on solar capacity imports," Moham-mad Ramzan, a Lahore-based vendor and contractor, explained. "In the last couple of years, the prices of the technology have come down substantially, making solar systems more affordable for the middle-class homeowners as well."

"Moreover, the technology has improved over the years and become more efficient. The rooftop solar solutions cut the net electricity bills in half and protect the homeowners from upward tariff fluctuations. That is why you see so many roofs covered with solar panels."

According to Ramzan, the real push for solar shift came only after the government made the regulatory process for the approvals of net-metering licences, which allows the solar capacity purchasers the opportunity to sell surplus power they generate back to the national grid and, thus, save on operational costs, easier and quicker.

"This is the real breakthrough in the industry. Initially, it took months before you could get approvals from Nepra [National Electric Power Regulatory Authority] for net-metering. But now it takes a few weeks at the most and makes the electricity almost free by
looping the surplus units of electricity produced during the day back into the grid."

The data published by the AEDB on its website shows that the power regulator, Nepra, has approved 6,799 net-metering licences for the generation capacity of 116.2MW of power across the country. Of these, 5,615 licence-holders have commissioned their capacity of 87.92MW. The Nepra State of the Industry 2020 report, however, says nearly 5,000 net-metering licences with 86MW electric power generation capacity have so far been issued.

In spite of the significant drop in the solar prices, the growth in rooftop solar in Pakistan is quite slow when compared to China, India and other countries since the upfront investment still remains daunting for an average middle-class family. Ramzan says the solar prices have fallen from Rs1.7 million per kilowatt to Rs1 million per kilowatt in recent years.

"Yet the technology remains out of the reach of a majority of ordinary people. A further drop in the solar prices for the homeowners depends largely on the government policies encouraging local manufacturing of panels or fall in the technology’s international prices since the entire capacity used here is imported. Until now, the growth in the rooftop solar is mostly driven by the commercial and industrial consumers like Emporium Mall, as well as educational institutions with large tracts of land and wide roofs like the University of Engineering and Technology, which has recently installed solar systems on one of its office buildings."

The global solar market is burgeoning with countries like India, Germany, China, the US and the UK investing several hundred billions of dollars in the clean, renewable energy resource. As per the International Energy Agency’s World Energy Outlook 2020, solar energy is some 20-50 per cent cheaper today than its last year’s estimates, with the range depending on the policies designed by different countries to reduce the risk of renewable investments. The world’s best solar power schemes now offer the "cheapest... electricity in history" with the technology cheaper than coal and gas in most countries, according to the report.

It says solar output will increase more than 43pc by 2040 than it expected in 2018 owing to reduction in prices. With access to the most favourable policy support and finance, the IEA says solar panels can now generate electricity "at or below" $20 per megawatt-hour. The new utility size solar projects now cost $30-60 per megawatt-hour in the US and Europe and just $20-40 per megawatt-hour in China and India.

"The cost of utility scale solar power has come down to $0.035-$0.040 a unit, depending on the size of investment and loan amortisation period. It can further be reduced by increasing the tenure of loans," Almas Hyder, who has set up a small solar power project in southern Punjab, said.

The present solar electricity prices compare with $0.17 a unit in 2015 when the Punjab government installed its first 100MW scheme in Bahawalpur.

"Given the fact that we have ample free sunshine across the country throughout the year, we can lead the world in solar power output. For that to happen the government must encourage the people to switch over to solar through policy and other incentive schemes to make the equipment needed to convert this free sunshine into the cheapest and cleanest energy," concluded Almas.

Courtesy: Daily Dawn

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**Pakistan's largest bike-maker goes solar**

The largest motorcycle manufacturer in Pakistan, Atlas Honda, has received a nod from the regulator to set up solar power generation arrangements at its manufacturing site in Sheikhupura. Atlas Group’s subsidiary Atlas Energy would install solar generation facilities having a cumulative 2.5MW capacity for its motorcycle manufacturing plant in Sheikhupura. The installed capacity was proposed after critically analysing the current load and future load projections of the site.

A large number of manufacturing and assembling units in the country were opting for renewable energy (captive) generation to secure uninterrupted supply and cut costs. Alpha Beta Core CEO Khurram Schelzad said many companies had installed captive power plants to secure uninterrupted power supply and ensure efficiencies. Earlier, the captive generation was gas-based, but now the gas is a scarce and expensive commodity, so companies are opting for renewable captive generation.

Several other companies and manufacturing concerns including P&G, Service Industries Limited, Kohinoor Textile Mills, Fauji Cement Company Eni, and DP World have installed solar power generation to meet their energy requirements. In addition to this, several others have entered into bulk power procurement agreements with alternate energy producers, while a large number of sugar millers have already set up biogas plants.

Khurram said gas shortage, lower costs and commitment to a clean environment were compelling companies to switch to alternate energy resources. "Captive renewable energy offers short-term as well as long-term efficiencies while being environment-friendly. Corporate sector should play a leading role in this transition," Pakistan enjoys a geo-strategic advantage for producing abundant amounts of solar energy. Hence, solar technology could save millions of dollars for the country’s economic growth, while also offering various ecological benefits.

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Circular debt: Time Bomb Ticking

Power Division Secretary Ali Roza Bhutta, while briefing the Public Accounts Committee (PAC), explained the reasons due to which the government could not control the circular debt. The circular debt, commonly known as power sector payables, reportedly grew at an average rate of about Rs1.5bn a day (Rs45bn per month) in 2019-20.

Payables to independent power producers (IPPs), which were Rs718bn in December 2018, jumped to Rs1,042bn, according to the statistics presented to the PAC. Likewise, the power holding companies’ outstanding, which was Rs607bn two years ago, rose to Rs1,003bn. Also, the amount payable by Gencos (generation companies) to fuel suppliers increased from Rs89bn to Rs105bn.

Since December 2018, the total circular debt has increased from Rs1,415bn to Rs2,266bn. Mr Bhutta said reasons for the rising circular debt were “technical and complex.” According to him, in addition to the inefficient power distribution companies (Discos) and technical losses, the subsidies given to the industrial sector, Azad Jammu and Kashmir and areas of the erstwhile Federally Administered Tribal Areas (Fata) and the agriculture sector of Balochistan were also a factor.

He told the PAC that it had been proposed that agriculture subsidies would be divided between the federal and Balochistan governments in 40:60 ratio to cover up the subsidised tariff. He said some subsidies were budgeted for which the government contributed its share, while “others were not budgeted” and caused an increase in the circular debt. Moreover, the government did not pass on variation in dollar rates to the end-consumers and subsequently this also added to the debt, he said, adding that the Centre also gave 650MW electricity to K-Electric and the delay in payment of the said electricity resulted in amplifying the circular debt.

Mr Bhutta said that since he had assumed the charge of power division secretary only a few days ago, he was not very well versed with detailed facts. However, he said, the government was taking up this issue at the top level and a policy to confine the circular debt had almost been finalised.

The PAC chairman expressed dissatisfaction over the handling of the power sector circular debt. He claimed that the circular debt was only Rs450bn when the previous government completed its term. Raising the issue of transparency in the power sector’s accounts, MNA Riaz Fatyana said about 50pc posts in power distribution companies were lying vacant.

“You are saving these salaries, but you did not expand the infrastructure in accordance with the requirements,” he said, adding that this was the reason that the power sector had failed to achieve the desired results. The meeting also took up a matter relating to litigation on the PAC proceedings. Another lawmaker, Ibrahim Khan, pointed out that a private firm, M/s Usman Traders, had filed a defamation suit on the basis of a discussion held in the PAC, which was the apex accountability forum of parliament. Senator Mushahid Hussain Syed asked the PAC chairman to take up this matter with the judicial authorities. MNA Syed Naveed Qamar pointed out that under Article 69 of the Constitution, courts could not inquire into proceedings of parliament.

Sub-Article 1 of Article 69 states: “The validity of any proceedings in Parliament shall not be called in question on the ground of any irregularity of procedure.” Qamar suggested to the panel to ask the National Assembly Secretariat to take up this matter with the relevant judicial authorities.
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Exclusive Interview

BRINGING INNOVATION TO DUBAI AND THE UAE

By M. Naeem Qureshi

Entrepreneur, inventor, strategist and visionary,

Waseem Ashraf Qureshi has spent the past 31 years successfully developing and launching initiatives that have changed the business landscape in which they operated
He is the youngest ever recipient of the National Science Award in Pakistan, receiving it at the age of 15. Subsequently receiving several similar accolades, entrepreneur and visionary, Waseem Ashraf Qureshi's brilliance lies in using existing parts and materials (usually "off shelf") and bringing efficiencies through innovative and creative software and hardware design. Operating in a resource-constrained environment in his early years, Qureshi has always believed that there is a better and affordable way of doing things. The journey started in 1988 when Microtron Electronics, founded by Qureshi when he was just 16 years old - pioneered the Uninterruptible Power Supply (UPS) revolution in Lahore, Pakistan. Qureshi started his career with the launch of the first indigenous UPS system in Pakistan through his company, Microtron Electronics. He launched Powertron Electronics, an R&D company focused on developing technologies and products in high-end power electronics, primarily for military communication, surveillance and electronics applications.

He was the founder CEO and inventor of the Car Tracking System. He developed and commercialised a GPS tracking system in 1994 that delivered car tracking and fleet management services to individual, corporate and government customers. To develop the GPS tracking system service, Qureshi partnered with Karachi Municipality Corporation and digitised the entire map of Karachi (similar to what Google Maps does now). He sold the company to a group of investors, and it is now the largest vehicle tracking company in Pakistan operating under a new brand name. He is the co-founder, CEO and CTO of Kilowatt Labs, Inc., a company that manufactures and sells groundbreaking technologies with significant differentiation, into large, existing markets. The company has developed Sirius supercap storage, which is a non-chemical, degradation free, long-life, faster charging, safer and cheaper alternative to chemical batteries. Sirius supercap storage can be used to power homes, factories, cars, UPS, boats, telecom towers, remote microgrids and every other application where batteries are being used. LARGEST SUPERCAP PLANT, IN DUBAI Sirius supercap storage has been developed entirely in the region, is deployed in 30 countries around the world including the Middle East, North America, Europe, South Asia, East Asia and Australasia, and is increasingly gaining market share in these markets. In late 2019 the company licensed the largest supercap storage manufacturing plant in the world in Dubai, which is now in production. The company is now launching its storage range for EVs, with a charging time of 5-6 minutes (for a full charge), along with its unique charging station concept that enables high-speed charging without putting the grid capacity under pressure. The company is in discussions with investor groups to license charging infrastructure. Since Sirius supercap storage does not degrade, therefore has consistent capacity over its life of 20 years, Waseem has launched PERCO FZCO, an energy storage rental company. If a customer requires storage for backup in a home or a factory or wants to connect it to a diesel generator or a telecom tower, PERCO can offer the storage on rent. Depending on the regulations of the territory, the storage can be rented, provided on lease-to-own or PPA structures, whatever suits the customer and is allowable in its jurisdiction. This removes the two main hurdles in deploying Sirius supercap storage (1) need for capex and (2) concerns over the performance of Sirius. The rental option is available in all territories where Kilowatt Labs has a distributor.
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PSO warns of gas supply disruption in winter

By Khaleeq Kiani

P rotesting over the inordinate delay in price notification of liquefied natural gas (LNG), Pakistan State Oil (PSO) has warned the government of disruption in the gas supply chain in coming winters. The situation is seriously affecting the LNG supply chain in the country as PSO and other stakeholders in the LNG supply chain will not be able to claim their receivables in the absence of determination of prices by Ogra, PSO wrote to the regulator and the federal government.

It said the country’s largest fuel supplier had been highlighting that provisional LNG and regasified liquefied natural gas (RLNG) prices for August to October have still not been issued by the Oil and Gas Regulatory Authority (Ogra) in spite of submission of all requisite data by PSO. “Moreover, the actual LNG prices are already not being determined by Ogra since July 2017,” it added.

PSO’s total receivables had already gone past Rs317 billion by end-October, including about Rs80bn on account of LNG. It said PSO had about Rs4bn worth of receivables from Sui Northern Gas Company Limited (SNGPL) from July 2017 mainly because of exchange rate loss which the PSO was unable to recover due to non-determination of provisional and actual prices.

The regulator has not notified the RLNG prices after July owing to disagreement between its two technical departments - Finance and Gas - over the quantum of RLNG losses to be charged by gas companies to consumers. The controversy emerged a few days before the retirement of former Ogra chairperson Uzma Adil in July when Member Gas Mohammad Arif pointed out a discrepancy in the RLNG tariff.

With the completion of quorum in the last week of September, the regulator was expected to settle on priority and with majority vote the dispute over system losses and causing delay in RLNG price notification but the matter remains unsettled.

At the heart of the problem is an anomaly in the LNG pricing mechanism - which a group of Ogra officials advocate for - allowing the cost benefit of about 11 per cent RLNG losses to Sui Northern Gas Pipelines Limited (SNGPL) and 8.73pc to Sui Southern Gas Company Limited (SSGCL).

Another group with the Ogra questions this methodology on the grounds that RLNG supplies are primarily on main lines where actual losses are negligible. The group notes that these proposed losses for RLNG are way higher than local gas losses allowed in gas tariff even on distribution lines (where actual losses are significantly higher than transmission or main lines). Therefore, their argument is that SNGPL and SSGCL do not deserve more than 3pc and 8.85pc, respectively, unaccounted for gas (UFG) allowance even on provisional basis.

The matter came to a naught a few days ago when Member Finance and Acting Chairman Ogra Noorul Haque concluded that since the members and officials of Gas and Finance departments have not reached consensus, the matter could only be decided “when the quorum completes”. He directed the Gas Department to prepare a comprehensive working paper in this regard.

The Member Gas, however, asked the Member Finance to also give detailed reasons for the disagreement which could be made part of the working paper. He recalled that it was earlier held by the majority vote of the Ogra that the issue was of technical nature and was to be decided and approved by the Member Gas which had been done with detailed reasoning.

Therefore, the delay in issuing RLNG price notification was causing pricing disparity for the consumers and hence provisional price notification should be issued without any delay, the Member Gas observed and recommended that UFG loss for fiscal year 2020-21 for SSGCL should be taken as 6.42pc (including 0.12pc of transmission loss). Likewise, UFG for SNGPL should be taken at 6.68pc (including 0.38pc transmission loss) on a provisional basis.

Interestingly, both RLNG and local gas are supplied mostly through the same network and metered through the same system but local gas is charged with lower UFG than RLNG despite the fact the RLNG is generally expensive and has lower actual loss being supplied mostly through mainlines.

A petroleum ministry official said the SNGPL had already suffered over Rs7bn due to delay in price notifications in March, August and November of 2015 which could not be recovered in five years because stay orders were secured by some consumer groups on grounds that retrospective price increases could not take place. “The same is going to happen again this year,” he said, adding: “The cost differential amounted to more than a dollar per unit.”
Environment

Mangla Dam saved Punjab from devastating floods

Mangla Dam saved Punjab from devastating floods during recent high flow season. Mangla Dam yet again proved to be instrumental in mitigating floods this summer, especially in the months of August and September, as it successfully absorbed River Jhelum flood peaks as high as 415,000 cubic feet per second (cusecs) on August 28, and released only 100,000 cusecs of water downstream. This controlled water outflow from Mangla Dam averted coinciding of 415,000 cusecs flood peak in River Jhelum with 300,000 cusecs flood peak in River Chenab, mitigating flood damages.

Had the peak flood of River Jhelum not been absorbed in Mangla Dam, there would have been large scale destruction downstream of Mangla Dam and Trimmu Head Works. Mangla Dam not only mitigated floods but also helped ensuring ample availability of water as much as 7.35 million acre feet (MAF) to meet water requirements of Rabi season. Mangla Dam has been phenomenally contributing towards economic development and social uplift of Pakistan for the last 53 years by providing water for irrigated agriculture, mitigating floods and generating low-cost hydel electricity. Since its commissioning in 1967, Mangla Dam has made more than 263 MAF of storage releases for irrigation purpose and contributed about 242 billion units of low-cost electricity to the National Grid. It is pertinent to mention that Mangla Dam is the largest water reservoir of the country with live storage capacity of 7.35 MAF after completion of Mangla Dam Raising Project in 2011. The maximum conservation level of the Mangla reservoir stands at 1242 feet above mean sea level.

Climate change poses bigger threat than Covid-19

The agriculture sector may have survived the Covid-19 crisis, but it is still vulnerable to the threat of climate change. According to crop production experts, the health crisis had minimum impact on the production of crops. However, it disrupted the supply of fresh fruits and vegetables across the country. Director General of Agriculture (Extension) Punjab, Dr. Anjum Ali said, the Covid-19 related lockdown has not caused any damage to the agriculture sector. Climate change, he cautioned, has taken a toll on crops.

"It is still hot in South Punjab. The cotton crop along with others, has been affected," said Dr. Ali. Rain during the month of September, he said, has affected the tomato crops across the province. "Farmers in many areas had to recultivate," the director general said. Even during the lockdowns, he said, no restrictions were imposed on the agriculture sector. Now, that the lockdown is over and the situation has improved, it appears that climate change is a bigger threat to the sector. Farmers from the province also believe the Covid-19 crisis had limited impact on the agriculture sector. However, it has affected farmers, middlemen and individuals, play an important role in the supply chain.

While Covid-19 had no direct impact on agriculture, the overall demand for vegetables and fruits plunged during the health crisis. Much of it was primarily due to the lockdowns that were imposed to control the spread of the respiratory disease. "During this time, farmers scrambled to find other ways to sell their crops," said Aamer Hayat Bhandara, a Punjab-based farmer. "Many farmers had no option but to destroy their produce," he added. The agriculture sector is facing several challenges. One of them is the temporary shortage of phosphorus fertilizers. According to Bhandara, the availability of the fertilizer, which is imported, was limited during the Covid-19 crisis. Now, that the imports have resumed, he said, the prices are expected to increase. In the last few weeks the prices have gone up by Rs400 - 450. While difficult times lie ahead, the government appears to be committed to helping the nation’s farmers. The government has provided several subsidies to offset the financial impact of the ongoing health crisis.

"The government is spending Rs. 7.75 billion on projects that focus on important crops," claimed Punjab Minister for Agriculture Syed Hussain Jahaniy Gardezi. For wheat alone, Gardezi said, the government plans to spend Rs.12 billion. The minister said the government is also providing subsidized seed bags to farmers and other support during this time.
Pakistan will produce gas & diesel from Thar coal

The government has geared up the process on two projects for turning Thar coal into gas and diesel and in its contact with two Chinese companies - China Ghazuba and China Coal, Special Assistant on Coordination of Marketing and Development of Mineral Resources Shahzad Syed Qasim disclosed.

"We want to initiate two projects; one on Coal to Gas (CTG) and the other on Coal to Liquid (CTL) and to this effect we have asked Engro Fertilizer, Fauji Fertilizer and Fatima Fertilizer to initiate the feasibility study collectively on turning the Thar coal into synthetic gas and then equal to natural gas. The three players want to use the synthetic gas as fuel for production of fertilizer," he said that the local gas reserves were fast depleting and the cost of RLNG, the imported product, was too high that hovers around $9-10 per MBTU on an average. If the said projects are materialized, then it will be no less than a game changer. "Earlier, the three said companies had separately conducted feasibility studies on turning Thar coal into synthetic gas, but they found that it would cost them at a higher side. Now we have again asked them to collectively initiate the feasibility study on the proposed project and we are hopeful this time the result will be positive."

The government will also initiate the project to turn the Thar coal into diesel (liquid). Qasim said that 75 percent fertilizer was produced in China through synthetic gas as fuel produced from the coal reserves. He also mentioned that according to the standard conversion rates, the Thar Lignite Coal resources are equivalent to around 50 billion tons of oil, which is more than the combined oil resources of Saudi Arabia and Iran. In terms of gas reserves, these are around 68 times the present resources of natural gas in Pakistan.

It is pertinent to mention that Shenhua Ningxia Coal Industry Group, a subsidiary of China’s biggest coal producer, the Shenhua Group, has already successfully installed the project to convert coal into oil in the northwestern Chinese region of Ningxia, the biggest plant of its kind in the world. The coal-to-liquid (CTL) project, which has an annual production capacity of 4 million tons of oil, was built by the Shenhua Ningxia Coal Industry Group, a subsidiary of China’s biggest coal producer, the Shenhua Group. Pakistan’s monthly diesel requirement stands at an average 600,000 tonnes according to which annual need stands at 7.2 million tons and the project to make Thar coal liquid (diesel) will also help reduce the import bill of diesel.

The SAPM on mineral development said that the government has planned not to increase the power generation of more than 10,000 MW through Thar coal because of the global warming phenomena, but will increase its focus on power generation through renewable resources as well as hydro generation. He disclosed the Lucky Power Plant of 660MW is being installed at Port Qasim, which will utilize the Thar coal and to this effect a railway line will be laid down from Thar coalfield to New Chhore from where it will be connected to the railway station line that will take Thar coal to Port Qasim. He also disclosed that the railway line of 105 kilometers will be laid down by the private sector on BOT (build, operate and transfer) basis. Similarly the second power plant of 660MW based on Thar coal is being installed at Jamshoro."
The World’s Worst Public Transport System Attempts to Modernize

Muhammad Ali Jinnah Road has always had its share of traffic, but lately the main thoroughfare that connects central Karachi to its major port is in a state of near constant gridlock.

An elevated street eats up two of the road’s three lanes, but it’s empty - part of an incomplete project to create express lanes for public buses that was supposed to finish three years ago. It’s one of many towering structures scattered throughout the Pakistani city that were part of the latest plans to bring a modern transportation to Karachi, one of the world’s fastest-growing cities and the third-biggest by population.

Karachi ranks as having the worst public transport system globally, according to a 2019 study by car-parts company Mister Auto that looked at 100 major cities. It serves about 42% of Karachi’s commuters, relying on decades-old, overcrowded buses that use the roof as a second deck for passengers at times. Roads are filled with potholes, not all traffic signals are automated, and it’s common to see drivers running red lights. And yet the former capital is home to Pakistan’s main ports and the regional headquarters for companies such as Standard Chartered Plc and Unilever Plc, helping it generate half of the nation’s tax revenue.

Those funds, however, get distributed to other parts of the country. The city’s outgoing mayor Waseem Akhtar said last year he had only 12% administrative control of the city and a lack of funds. The army controls the wealthier areas of Karachi, while the rest is divided among the provincial and federal governments that don’t get along.

"Karachi, despite its importance, is a political orphan," said Arsalan Ali Faheem, a consultant at DAI, a Bethesda, Maryland-based company that advises on development projects. "The federal government is limited in what it can do, and the city government controls less than a quarter of the city. It means that Karachi’s problems belong simultaneously to everyone and no one."

The dysfunction came into focus in August when record rainfall flooded many parts of the city for more than a week. About 64 people died while 10,000 had to be rescued. The flooding left many people trapped and without electricity that was suspended. A few days later, mobile phone service and cash machines stopped working too.

In its aftermath, Pakistan Prime Minister Imran Khan visited the city and announced a development package valued at 1.1 trillion rupees ($6.8 billion) jointly with the provincial government including the bus project and a circular railway system. The amount is more than $6 billion loan bailout Pakistan agreed from the International Monetary Fund to avoid bankruptcy.

Accessing those funds has been a different story. The provincial government’s transport department has admitted it can’t do large projects on its own. Khan’s federal government announced 162 billion rupees for mega projects in the city last year including transport, but city officials reported that no funds were ever released earlier this year. The federal government said in response that it has spent 24.65 billion rupees up to June, while an allocation of 17.9 billion rupees has been made for the current fiscal year.

The latest attempts follows several others to bring Karachi’s transportation system into the modern era. Multiple bus projects have been announced over the years but either they never started or were unable to sustain for more than a few years. Meanwhile, Lahore in eastern Pakistan started a train service last week after getting a similar bus project running seven years ago.

Karachi was once well connected by a circular railway but corruption and mismanagement in the transportation sector brought the city to a grinding halt in the late 1990s, according to Adam Weinstein, research fellow at the Washington D.C.-based Quincy Institute for Responsible Statecraft. Many of the railway tracks have become illegal slums with people moving from smaller towns to earn more.

"Karachi has yet to find a humane way to address land encroachment that stymies development and relocate people without incurring immense political blowback," said Weinstein.

The green line bus project was announced six years ago. It’s now expected to be completed around June of next year, said Asad Umar, Pakistan’s federal planning minister and part of a Karachi committee to oversee the city’s large projects. Following delays, the bus project has been progressing since the federal government took it over earlier this year, he said. Pakistan’s provincial Sindh government spokesperson Murtaza Wahab didn’t respond to requests for a comment.

The delays are hardly an anomaly. The circular railway revival has been discussed for at least 15 years, while a water supply project is 18 years in the making. The city’s most expensive area doesn’t have access to piped water and relies on water supplied through tankers, also known as "tanker mafia."

By Faseeh Mangi
Despite issuance of SRO 604, no check on import of substandard solar equipment into Pakistani market - Saleem Diwan

Exclusive interview of Chairman, Diwan International

By Mustafa Tahir

Energy Update: Please the details of your company’s profile?
Saleem Diwan: We are a private limited company. We have been importing articles related to different sectors like we used to import yarn and silk related to the textile industry. Likewise, we have also been doing construction work as we have Diwan Builders for the purpose. We have constructed a lot of buildings in Karachi. We have also been importing pulses. We have been into the business of power products since 2002 including UPS and batteries while we started dealing in the solar sector since the last two years.

EU: Are you satisfied with the standard of the solar sector in Pakistan?
Diwan: Equipment and material of substandard quality of the solar sector is being imported into the country unchecked despite issuance of the SRO 604 by the government. The solar equipment of substandard quality is being brought to Pakistan in massive quantities. In contrast to this, availability of “A” quality equipment in the local solar market is just ten per cent. Apart from these substandard equipment, we are among the top three to four companies dealing in tier-1 brands of solar equipment being imported into Pakistan in terms of brand and quality.

EU: Is there any other issue concerning Pakistani solar market?
Diwan: The equipment belonging to tier-1 brands is being imported into the country directly from the factories, which are mostly in China as the third parties have been doing such unchecked import. Such equipment directly being brought to the country doesn’t carry any quality certification as this practice tarnishes the image of tier-1 brands.

EU: So what is the actual issue in this regard?
Diwan: The order SRO 604 was primarily issued by the government to allow only import of top quality solar equipment into Pakistan but no action was taken later on to implement this order.
Exclusive Interview

Equipment of every quality is being brought into Pakistan as even counterfeit products are available in the market. You will find low quality solar equipment whenever you go to any market of Karachi or elsewhere in Sindh. This practice has been causing serious setbacks to the consumers and bona fide companies dealing in top quality solar equipment.

EU: So what role the government should play in this regard?

Diwan: Through your magazine, I would like to request the government to strictly recheck whether the rules and regulations it had earlier created in this regard, are being implemented or not. We are also a part of the Pakistan Solar Association as we will surely lead a campaign in this regard to make the government and consumers realize the importance of superior quality solar equipment.

EU: In what areas of Pakistan, the solar energy is being mostly installed?

Diwan: The solar energy is mostly being installed in the interior of Sindh and Punjab. But mostly solar equipment of questionable quality is being installed there. Even people there are using counterfeit products. Then in the second place, solar is being installed by the industrial consumers. The number of residential consumers relying on solar power is quite less as compared to the industrial consumers using the same renewable technology. The industry has been switching to the usage of solar energy much faster due to the prevailing energy crisis.

EU: What measures should be adopted to promote usage of solar energy in a city like Karachi?

Diwan: Not many efforts have been made to promote solar technology in the country. Only taxes have been withdrawn on the solar equipment. There has not been much publicity to promote solar technology in the country. Despite this background, usage of solar energy in the residential sector has increased in the year 2020. Though, the adoption of solar energy has not been as fast as it should have been. But it is a fact that the big brands of solar energy have started taking interest in Pakistan. Now up to six top brands of solar power have full focus on the Pakistani market.

Government to transform outlook of energy market

Federal Minister for Energy Mr. Omar Ayub Khan met Her Excellency Ms. Lis Rosenholm, Ambassador of Denmark to Pakistan in his office today. Mr. Tabish Gauhar, Special Assistant to Prime Minister on Power also joined the meeting. During the meeting, the outlook of the emerging market of the energy sector and business opportunities in view of the newly approved Alternative Energy Policy. While acknowledging the lead role of Denmark in clean and green energy at the global level he said that Pakistan too embarked upon tapping the huge indigenous potential of renewable energy.

The Minister said that Pakistan’s New Renewable Energy Policy would bring opportunities for investors due to transparent policies of the current government. He said that the government had set ambitious targets to introduce 25 percent renewable energy by 2025 and 30 percent by end of 2030 including 45 percent share of hydel power generation and 10 percent of nuclear energy into the energy mix of the country. While explaining the investment potential in the Power Sector, the Minister said that the Government would induct renewable energy-based power plants through an open and transparent competitive bidding process, which would lower the cost of production of electricity. He also apprised the envoy that the government had prepared the Indicative Generation Capacity Expansion Plan (IGCEP) 2047 for competitive market structure, generation, up-gradation of transmission, Smart AMI and modernization of distribution system.

The Minister apprised the Danish Ambassador that with lowering of electricity cost for industries and establishment of Special Economic Zones (SEZs) would boost economic activity along with creation of thousands of new jobs in the country. The Danish Ambassador while appreciating the government’s commitment to raise the share of renewable clean and green energy, said that the new policy is more transparent as it provides a level playing field for all.

She suggested setting up a joint energy platform to study the market, so that Danish companies would closely follow developments in the field of renewable energy and they could participate in the competitive process of renewable energy projects.
By Sajid Aziz

Biggest jolt to CPEC

Aramco shelves $10 billion oil refinery plan in Gwadar

Incompetency of the present government was seemed to be on its height when Saudi Arabia's Aramco is said to have shelved a plan of setting up an oil refinery (worth $10 billion) in the oil Sa city of Gwadar Port in Balochistan giving a big jolt to the CPEC related projects.

The economic managers have already brought the ailing national economy to the oxygen tent, yet they have not taken any notice of the outer world’s response to their ineptness, foreign investment has already stalled since the day present regime has taken over while its foreign policy is almost nonexistent. So, the Saudi Arab tilted more towards India, has now decided not to set up oil refinery in Gwadar worth $10 billion.

Background discussion with a Pakistani analyst indicates the report is true. "Don't know the actual reasons", said a senior official on condition of anonymity. "Pakistan unfortunately has lost capacity to undertake projects of such magnitude", the official adds. Is it due to geopolitics? Seems so.

"In addition to any geopolitics, Pakistan is capable of frustrating any sensible man, organization or country," the senior official remarked. "This is one of the reasons I give a lot of credit to the Chinese for sticking with us". What are other possible reasons?

"The choice of location is one of them", says an observer. The demand center for petroleum products is said to be north of Gwadar. Shipping petroleum products (refined oil) through tankers or pipelines may not be feasible, an expert said. "Ideally a refinery could be set up near Mah mood goth or Muzaffargarh or little north of it", he added. Pakistan had asked Saudi Arabia to invest in the refinery "for strategic reasons in order to operationalize the CPEC, and to turn Gwadar into a regional hub not only for trade but also for oil, gas, pipelines, etc. for supply from and to Central Asia and to China. Thirdly, it would open up Balochistan province for economic growth".

From Saudi standpoint, the observer says, an oil refinery using less than 500,000 barrels a day, did not make economic sense. Pakistan imports only 90,000 barrels of crude oil a day from Aramco. And "Saudis wanted their crude to be used if they go with the refinery", an energy professional says. It would mean importing more than 90,000 barrels from Aramco -as much as 500,000 bpd, the professional observed.

According to the observer, "when we asked Saudis to invest in the refinery in Gwadar, we did not have a feasibility report to present them (even for anywhere in Pakistan, let alone Gwadar)", "So Aramco hired Americans to prepare one", he adds. "And they asked for queries. That's where the problems started". This is essentially due to dysfunctional, some observers pointed out, weighing in the senior official's remark that, "Pakistan is capable of frustrating any sensible man, organization or country".

If the Saudis are not keen in taking up such a huge venture, the Chinese were ready to join hands, thanks to their commitment to CPEC. They wanted to continue with CPEC as they think, a favor to Pakistan. ■
POL Sector Woes

Petroleum sector to collapse if urgent measures not taken ———— By Mushtaq Ghumman

Secretary Petroleum Asad Haya-ud-Din has cautioned the federal government that petroleum sector will collapse if urgent measures are not taken to resolve its circular debt. A ministry official while conveying his concerns at a recent meeting of Economic Coordination Committee (ECC) of the Cabinet, which has given the assignment to SAPM on Power, Tabish Gauhar to find out a sustainable solution to this issue.

The sources said, the Petroleum Division noted that the circular debt in the power sector emerged mainly in 2008 due to the shortfall in the cash flow of Discos which adversely affected their ability to pay the power generation companies (Gencos, Hubco, WPPO, IACPCO etc.) for supply of electricity. Consequently, these companies could not make full payments to PSO, OGDC, PPL and PPL for supply of fuel, gas and LNG. Despite the delayed payment from the power and gas sectors, PSO has been protecting local refineries since long by making timely payments due to which PSO had to resort to massive bank borrowing to avoid international defaults and consequential disruption in the supply chain of petroleum products. Similarly OGDC and PPL have continued to provide gas to intermediate entities (SSGCL, SNGLP) and power plants (Uch, Giddhu) without receiving payment. PSO, OGDC, PPL and PLL were the entities that primarily financed the circular debt of around Rs 1601 trillion of the country which includes 1.081 trillion of principal and Rs 520 billion of markup. This principal amount as well as mark-up/LDs have been increasing with the passage of time due to continuous supply of fuel/LNG/gas to the power, gas and refinery sectors. In this regard, various government audit teams had highlighted that the increase in the financial cost arising from delayed recovery from the power sector was adversely affecting the PSOs’ profitability with the risk of bad debts resulting in possible bankruptcy.

PSO had also stated that Gencos III spent PSO’s funds (Rs 80 billion) on the Nandipur Power Plant and covering other losses in fuel rather than paying PSO. This has further increased PSO’s receivables. The Exploration & Production (E&P) Companies, i.e., OGDC, PPL & GHPL (being the last entities in the chain of circular debt for receiving their outstanding dues from power, refineries and gas sectors) were negatively impacted and were now at the stage that they might be compelled to cease supply of crude oil, RFO, LNG and gas in the foreseeable future. Resultantly, massive shortages of oil and gas could be created across the country and the entire petroleum sector would face collapse, if the settlement of circular debt was not accorded the top most priority.

The Petroleum Division further noted that in order to resolve the circular debt issue and improve national energy and economic security the following possible options may be adopted for clearing the debt after exclusion of markup if permissible under relevant law/rules: (i) adjustment by earmarking a portion of Petroleum Levy (Rs 3.5/litre for PSO; (ii) In case of OGDC, PPL & GHPL, the royalty/sales tax obligation will be discharged on collect and pay model for providing temporary relief to the companies through (a) adjustment by adding a fixed rate in gas price of SNGPL/SSGCL for realizing their receivables from government and other sectors and ensuring clearance of their payables (b) settlement of GDS payable by PPL on gas sales to Genco, against the amount receivable by PPL from SNGPL while allowing SNGPL to set-off its receivable from GoP on account of GDS against the amount payable by SNGPL to PPLs; (iii) by issuing Sukuk bonds against the entire circular debt; and (iv) adjustment of debt with equity in profitable public sector entities/power projects/companies in the energy chain. The Petroleum Division proposed that in order to find a sustainable solution to the circular debt issue, a Committee may be formed to be led by the Finance Division, comprising power and Petroleum Divisions and the Securities & Exchange Commission of Pakistan. The Committee would develop modalities for clearing the debt through adjustment as per the proposed options.

The Committee would submit its final recommendations for the settlement of circular debt to ECC of the Cabinet for approval within (30) days. The Petroleum Division maintains that inaction can lead to collapse of some of its otherwise profitable entities causing major disruption in supply chain. During ensuing discussion Tabish Gauhar, SAPM on Power opined that the matter of circular debt on petroleum side may not be dealt with in isolation rather recommendation be made in conjunction with power sector owing to their interconnectedness. Dr. Waqar Masood, SAPM on Revenue also supported a comprehensive solution for resolving the circular debt as a whole and not in piecemeal. The sources maintained that after having heard the participants with similar views the Finance Advisor invited comments of Secretary, Petroleum Division thereon. The Secretary, Petroleum Division apprised the Committee that the issue of circular debt in petroleum sector has attained urgency and if not dealt with on immediate basis the sector may collapse.

Finance Secretary supported the stance of the Secretary, Petroleum Division and recommended that since Tabish Gauhar, SAPM on Power chaired the Committee for resolution of circular debt on energy, and circular debt on petroleum was a subset of the bigger problem, Tabish Gauhar should chair this committee also. However Omar Ayub, Minister for Energy suggested that since all matters are ultimately of financial nature therefore, the Finance Secretary should chair the committee. After detailed discussion, it was decided that Tabish Gauhar, SAPM on Power, who heads the Committee constituted to formulate recommendations for settlement of circular debt relating to energy, constitutes a Sub-Committee which may examine the petroleum circular debt and make recommendations to ECC. The Constitution of the Committee will be decided by Tabish Gauhar, SAPM on Power.

courtesy: BR

www.energyupdate.com.pk
How Karkey defrauded Pakistan

The ongoing dispute with the Karkey Rental Power Plant Company in the International Arbitration Court has been resolved amicably. Now Pakistan will not have to pay a fine of $1.20 billion. Definitely it was good news for the dear homeland burdened with debts.

However, the NAB and Pakistan’s intelligence agency had obtained evidence of bribery paid to Pakistani officials by Karkey company and the only honourable way for it to avoid being blacklisted globally was to quietly withdraw the case. It is a different matter that more than Rs1 billion had been spent on taxes of the poor people while fighting the case in the International Arbitration Court. The PPP government decided to set up rental power plants to overcome the power crisis, under which 14% advance payment was made to the rental power companies. In this regard, a loan of Rs6.4 billion was obtained from the National Bank of Pakistan for the car rental power plant. The loan was obtained on May 9, 2009 under a guarantee from the government of Pakistan following a financial agreement between the state-owned Lakhra Power Generation and the National Bank. After obtaining the loan, the amount was fully utilized by paying Rs80 million in advance to the 231 megawatt capacity power plant of Karkey company as per the rental power agreement.

The loan from National Bank was to be repaid in 60 installments of Rs106.67 million. The first installment was to be paid on December 31, 2009 and the last installment on November 30, 2014. The mark-up rate on the loan was Kibor Plus 215 points. The sale price of the financial facility of the National Bank was Rs. 10.7 billion. Rs. 4.93 billion was paid to the National Bank during the rental services contract. Meanwhile, a decision of the Supreme Court of Pakistan on March 30, 2012 annulled the agreements made with all the rental power plants and directed the NAB to investigate the matter and collect money from those responsible. As of November 30, 2013, it was decided to collect more than $128 million from the Karkey.

In 2013, a case was registered in the Sindh High Court against Karkey for recovery of the said amount. The Sindh High Court on May 29, 2013 issued an order for the seizure of four Karkey ships anchored at Port Qasim in Pakistani waters. Meanwhile, Karkey filed a case against the government of Pakistan in the ICSID. Due to scrap rental power plant agreement, the loan amount could not be repaid to the National Bank, on which the bank approached the Lahore High Court for recovery of Rs 7.6 billion in interest mark-up as the state-owned company Lakhra Power Generation has expressed inability to repay the loan. The Lahore High Court on July 31, 2018 ruled in favor of the National Bank and ordered payment of the amount.

A settlement agreement was reached between the government of Pakistan and Karkey on December 12, 2019, which was kept secret. The federal cabinet approved the agreement on December 3, 2019. Following the agreement, the Sindh High Court withdrew the case for recovery of more than $128.1 million from Karkey.

The court issued an order on January 15, 2020 to release the seized ships. The bank loan was given to Lakhra Power Generation Company. Now LPGCL’s balance sheet is in negative. Following the agreement, all recovery claims against Karkey company were withdrawn. The federal government has quietly waived off Karkey’s $128 million debt, while Lakhra Generation Company has no money to repay a loan of Rs7.6 billion to the National Bank.

At least the Turkish company or the Turkish president should have been requested to make Karkey pay back National Bank $80 million, if not the mark up. The bureaucrats of the Power Division, who have burdened the country and the nation with rental power plants, have now come up with a new plan. It was suggested by the Power Division that either the ECC cancel the National Bank’s loan of Rs7.6 billion including mark-up or the government of Pakistan should allocate a grant of Rs7.6 billion including mark-up for the National Bank to help the Power Division get rid of the court order.

If a government had contracted expensive rental power plants to damage the national treasury in the name of healing the sufferings of the people, another one, elected in the name of change, has quietly forgiven the Turkish company $128 million while protecting the treasury. Now Rs7.6 billion will also be paid to the National Bank from the national exchequer. Karkey Rental Power could not remove darkness in the Pure Land, but the people of this unfortunate country will be deprived of Rs26 billion.
Govt’s Apathy

Donor-funded power projects stalled, turning into ‘white elephants’

Majority of the foreign funded power projects are moving at a snail’s pace, resulting in non-disbursement of committed international funds despite payment of commitment charges. A meeting of the National Coordination Committee on Foreign-Funded Projects (NCCFFP) noted with concern that eight out of 14 key projects in the power sector had become ‘problematic’ or ‘partially-satisfactory’.

The total funds committed by foreign lending agencies and bilateral creditors for these projects stood at $3.42 billion but more than $3.030bn could not be disbursed due to slow progress by authorities concerned.

The meeting was presided over by Economic Affairs Minister Makhdoom Khurshid Baloch and attended by Energy Minister Omar Ayub Khan. The projects had become “white elephants”. Disbursements for these projects stood at about 0.2 per cent and the country is paying commitment charges at 2pc, he said. This happened despite the fact that Pakistan direly needed foreign inflows to support balance of payment.

“Total disbursement against the committed portfolio is slightly above 10pc as only $373m could be utilised out of $3.4bn. This is affecting our reputation among the donor community,” said a senior government official who attended the meeting that reviewed progress of the development projects of the power sector funded by Asian Development Bank, World Bank, Islamic Development Bank, Japan, France, Germany and USA. This shows that the sector is not only a major source of financial bleeding on the federal budget and burden on consumers with rising circular debt and electricity rates but foreign assistance committed by lending agencies is not being utilised to address those challenges. Progress on six projects (out of 14) involving $883m foreign funding was noted as ‘satisfactory’ even though total disbursements for them stood at $126m and about $742m were still outstanding.

Two projects having $6m foreign funding were described as ‘partially satisfactory’. Disbursements for these projects stood at $42m and $44m were outstanding. Six projects involving about $2.45bn were described as “problematic” with total disbursement of $205m and an undisbursed chunk of $2.244bn.

About 63pc share ($2.144bn) portfolio pertained to the National Transmission and Despatch Company (NTDC) and was found to be the centre of the problem. Most of its projects were behind schedule by 18-20 months. A couple of projects in the generation and distribution sector have also been delayed by 40-60 months. This is mainly because of delay in land acquisition, bidding problems and hiring of relevant staff even though there were many examples of over-staffing. The meeting set a deadline of December 31 to address land acquisition for right of way and other related problems but noted with concern that issues identified two months ago remained unmoved so far.

Inform sources said the energy minister gave his personal commitment to speed up the process and not leave issues unresolved at the disposal of the relevant entities. Secretary and heads of line departments of the Power Division. Deputy Chairman, Planning Commission, Secretary EAD, Representatives of PM’s Office, Finance Division and Provincial P&D Departments and Boards of Revenues also attended the meeting.

An official statement said Bakhtyar had called the high-level meeting to track physical and financial progress and identify issues and bottlenecks hampering smooth implementation of foreign-funded projects in the power sector. He pointed out that the government was focusing on energy sector reforms and energy efficiency through development of renewable and clean energy at affordable prices, reliable transmission system and improved distribution network.

Ayub directed various departments of the Power Division to fast track implementation of the projects and prompt redressal of issues for expeditious execution of projects in the energy sector. He especially emphasised on the major problematic projects including Jamshoro Power Generation Project, Advance Metering Infrastructure and CASA 1000 & Other Transmission Lines and set the timelines to resolve the bottlenecks, the statement said. Both ministers agreed to hold a follow-up meeting of the National Coordination Committee on Energy sector next month. Prime Minister Imran Khan had constituted the high-level NCCFFP in order to fast track the disbursement and implementation of external economic assistance as the lending agencies wanted sector-wise meetings with the prime minister due to consistent delays. PM Khan had assigned the Ministry of Economic Affairs to convene the meetings of this committee and submit a progress report to him on a monthly basis.

 Courtesy: Daily Dawn
Dealing with gas crisis: options and choices

Electrical cooking and heating appliances, solar geysers can help slash gas demand

Domestic gas production has finally started coming down in a significant way. There are slim chances that in the short term, it may go up, although some improvement may be possible in the medium to long term.

Imported gas, either in the form of liquefied natural gas (LNG) or piped gas, may take two years. And there are transmission issues as well. New infrastructure in this respect will take two to three years to implement.

Thus, consumers are in for gas shortage for the next two to three years. What are the options for consumers and how the government can facilitate those options is our subject in this space.

Rich (including the higher middle class) have potentially many choices. Ironically, the rural poor are not affected by the gas crisis, as they are not the users or beneficiaries of piped gas. Only 20% or so of the households in Pakistan have access to piped gas as against electricity for 80%. There may be questions in the numbers for electricity, though.

Poor rely on biomass, tree shrubs or cow dung and will continue to do so. Rural rich are installing solar and other technologies. It is the urban poor and the lower middle class, who have a problem.

Neither could it be said that who cares for the poor? Pakistan’s energy tariff (both electricity and gas) is highly considerate for the low-income groups. In case of gas, even variable costs are not covered and in case of electricity, only variable costs are covered hardly. And energy theft is also tolerated, either by design or by default.

Although some gradual tariff adjustments are needed to correct this, the International Monetary Fund (IMF) wants us to do away with it, like their other fancy ideas. They want to institute a direct subsidy system for the poor.

Ironically, the concessional tariff disables the adoption of new options and technologies. Solar PV, for example, is not attractive for small consumers enjoying concessional tariff of around Rs5 per unit or slightly higher. On the other hand, solar PV is very attractive for large residential consumers having electricity tariff of around Rs25 per unit.

Gas demand increases in winters due to heating and international LNG prices also increase in this period and even go higher than the proverbially expensive Qatar LNG prices. This makes both, gas and electricity, expensive in winters.

However, electricity demand is lesser in Pakistan in winters, largely due to gas-based consumer preference. Cooking in Pakistan is
Gas Demand

almost 100% dominated by gas, either liquefied petroleum gas (LPG) or natural gas, contrary to the global trend. Although LPG is the next option but it is many times more expensive, especially, if the poor man's concessional tariff is considered. For higher residential tariff, it is twice as expensive.

LPG may also become short when most people shift to LPG when ordinary piped gas is not available. When there is shortage, prices go high usually. LPG is the fuel for the rich or at best the middle class.

Electric cooking

For cooking, at least rich has the option of switching to electricity, at least partially. Electric induction cookers single burner is available at a price of Rs7-10,000 per seat/ burner (although seat and burner are wrong choices of the terms).

Sala can be cooked easily and even faster on the induction cooker. It is also more energy efficient.

In case of gas stoves, most heat is lost due to radiation. Microwaves and electric kettles are also options for meal heating and tea making which are already widely used.

Induction cookers emerge as a new option. For chapatti, there are electrical chapatti makers also. Those who have installed solar PV of 5KW, again the rich class, are in an enviable position of having much cheaper electricity.

The government may consider options for introducing an innovative electric tariff for diversion to electricity in winters, when electricity demand is low and the government has to pay fixed capacity charges for the under-utilised capacity. Some of this cost can be recouped through incentive measures.

Water heating for bathing is the most interesting area where considerable and interesting alternatives are there. In winters, gas is consumed the most for space heaters and water geyser which are awfully energy guzzlers.

For space heating, electrical inverter ACs are the best option and a boon for solar PV consumers. No new investment is required. Most people require or use ACs for summer cooling any way.

Solar geyser

These are the best option for water heating. An average size 200-litre geyser costs Rs45,000 per unit and a larger 300-litre one may cost 50% higher. Unfortunately, it is not as popular as it should have been, especially, when one compares to relatively faster pickup of solar PV installations on the rooftop.

Solar geyser are provided with an electrical option as well for rainy days. Those who have installed solar PV can divert extra capacity to solar geyser. This is an option that is emerging fast in replacing net metering.

Excess solar PV output can also be diverted to pure electrical heaters as well by installing timers or mobile-based switches.

Technically, heat pumps, something similar to air-conditioning systems, are the most energy efficient and probably the cheapest in the long run. Its market and supply chain is emerging with upward cost being over Rs2 lakh and it is not generally available in the local market.

Solar geyser are the next best option as has been indicated in the foregoing. Solar geyser are very popular in China, Turkey, Greece, India and even in the US.

In Pakistan, people are still reluctant and have little awareness of solar geyser. There are supply chain issues as well. Solar geyser's storage cylinders have low quality and life than those available elsewhere. Typical life of a solar geyser exceeds 10 years but in Pakistan storage cylinders corrode away due to quality and maintenance issues. Currently, almost all solar geyser available in the market are imported from China. There are more than 1,000 manufacturers in China of this product including a large number of very small enterprises which compete in prices and quality.

The government can do a lot in this respect - gas companies, Alternative Energy Development Board (AEDB), National Energy Efficiency and Conservation Authority (NEECA) and Pakistan Council of Renewable Energy Technologies (PCRET)? Almost all of these have done something with respect to facilitation of one form or the other.

The Engineering Development Board

may have to come forward as well. However, they need to put their act together. Perhaps, a working group for policy development may be required.

Except for glass tubes, all other items namely storage cylinders and the structure are simple steel fabrications which can be manufactured locally. Without local manufacturing, the market, competition and quality are not established.

Some kind of subsidy in the form of credit and leasing may be considered as well. It is said that it is difficult to compete with poor quality Chinese products which are not necessarily true. Neither is Chinese quality poor in all cases nor is the cost competition difficult.

Chinese companies may be encouraged to enter into local joint ventures. It may require a policy as has been developed for mobile phone manufacturing. It would be highly unfortunate if such low technology and bulky items as solar geyser continue to be imported.

Transport cost differential should be enough for price support. There are many engineering goods in Pakistan which are competing effectively or have the potential to do so. What will we be producing in Pakistan to increase exports, bring down imports and control circular debt?

The writer is former member energy of the Planning Commission
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**Exclusive Interview**

**Government should take steps to extend existing terminal for handling coal - Ishtiaq Ahmed**

*Exclusive interview of CEO, Kargil Energy Resources (PVT) Limited*

Energy sector which is connected with coal is right now facing major problems of handling their cargoes. Government should take steps to extend this existing terminal with public private partnership for smooth handling of coal", says the CEO of Kargil Energy Resources (PVT) Limited, Ishtiaq Ahmed while having a talk with the Energy Update, he further said that....

By M. Naeem Qureshi

in Sugih International Singapore as country head Pakistan. After passage of almost two years sugih faced some major issues in their oil business so again I decided to switch. My last job was with Glenmet FZC for two and half year as Country Head Pakistan unfortunately due to Covid-19 they wind up their all business ventures.

This time it was very alarming and disappointing for me as globally not only me many people lost their jobs due to Covid-19. These pandemic circumstances made me critically think that its enough with changing job every two and half year as things are moving very fast and dramatic way world wide.

Finally decided to become entrepreneur and Kargil Energy was established 19th April, 2018 with one of my partners Mr. Sajid Rasheed who has waste experience of oil trading and working in this field since one and a half decade along with his engineering skills. But due to conflict of interest I was not involved in coal business. Now since April 2020 I have been operating two more companies Kargil Trading & Kargil Logistics where these companies are fully functional and sole proprietorship with me at the same time owning Kargil Energy Resources as CEO. Kargil Trading & Kargil Logistic is running by myself and one of my partner Mr. Muhammad Abid who is having experience in coal and logistics for last 14 years. I am happy to present myself as low level starter in coal till as a CEO.

I would like to share my thoughts for the people who are struggling for their carrier build up in energy sector. "We live in a fast-changing era, where most important thing is how talents are put together and how their capabilities can add more values to the corporate economy. Kargil Energy Resources (Private) Limited is an energy trading company that was established in April 2018 with the concept of meeting highest customers satisfaction level through expertise in the relevant field. In this
context, we have done contract with numerous local and international trading partners.

Fossil and renewable energy resources are essential to sustaining our quality of life and serve as the "last bastion" of energy supply in times of crisis. Every day we remain dedicated to fulfilling a crucial responsibility to society, ensuring that reliable supplies of this lifeline resources are maintained. But I believe we play other key roles as well. By supplying energy, we contribute broadly to our communities, and we support diverse industries and a society that will grow increasingly mobile in the years to come. Those roles will never change. What will change, however, is our operating environment. But we must recognise change as chance. These are huge opportunities for us to demonstrate our unique adaptability to these changes and with that in mind, we are already taking on a number of challenges to address consumer lifestyle changes and new needs in industry. New business models are being created here at Kargil Energy Resources, with an eye to how our world will look in years to come.¹

EU: What’s your decision-making process to run your business?
IA: Decision making is not a single-handed role; it’s always being done by consulting with team and I believe in team work. An organisation has three major pillar people, Coordination and Goal which means decisions are made by people with coordination to achieve goal. You have team but they lack in coordination you fail to achieve goal. You have coordination but don’t have good team you will be failure. I just make sure I make right decision at right time with coordination and team work.

EU: Would you like to share the details of your current and future projects? and what is the future of the industry?
IA: As far as coal is concern, I believe that it will have strong grip in Pakistan for next one decade or more may be. Although world is converting their energy needs towards renewable energy solutions but Pakistan has long term contracts for the off take of imported coal to run power projects. Right now, major consumer of coal in Pakistan are cement and power sectors however textile, steel & paper producers are also considered as small-scale consumers of coal. During covid-19 pandemic, cement sector has faced their production losses but after relief package announced by Government for construction Sector months ago, cement demand has increased substantially since last two months. I would also like to mention good contribution of cement industry in exports which is a revenue generation for country.

EU: What is your suggestion to improve the energy sector of Pakistan?
IA: Energy sector which is connected with coal is right now facing major problems of handling their cargoes. Currently for coal handling there is a single terminal in Pakistan which has being developed with the state-of-the-art infrastructure and according to international standard. But unfortunately, the capacity of terminal less as per import quantities which are increasing on concurrent basis. Government should take steps to extend this existing terminal with public-private partnership for smooth handling of coal.

Moreover, logistics is a key role for development of any country, particularly Pakistan need to improve railways for goods transportation which will definitely be a cost saving element as well as to save the roads from heavy transport load.

Pakistan has to seriously think about pollution free energy solutions as globally world is seeking to save human beings. So many countries including China and US has already taken steps to cut down their coal power plants and convert them in to plants that use renewable energy.

To extend my further expressions it is much more important for Government of Pakistan to seriously take some steps on the gateways of business which are highly important for import & export of goods. We already have KPT which was banned for coal import in last Government due to which KPT is losing a handsome revenue in shape of coal import handling. Also, vessel owners having huge demurrages which defiantly they are taking into cost and freights are higher than other countries. Which is affecting power and cement sector and by the end of day their fuel cost is raising to higher side.■

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The solar power is the way forward for Pakistan to safeguard its energy security and to lower the basket price of electricity for the consumers in the country. This was stated by CEO of Alternative Energy Development Board (AEDB) Dr. Rana Abdul Jabbar Khan in his keynote address at the 1st Virtual Conference on Solarization of Pakistan organized by the Energy Update.

The AEDB CEO said that Pakistan should massively take advantage of its presence in one of the best solar zones in the world.

He said that lately solar energy had become the cheapest source of energy among the low-cost options to generate electricity. This has happened due to steep decline in solar electricity rates.

He said that the AEDB would fully support the full exploitation of the solar power potential of the country so that by the year 2030 Pakistan would be generating up to 30 per cent of its electricity on the basis of clean sources of energy.

He said the AEDB had been conducting solar resource mapping of Pakistan with the support of World Bank as for the purpose nine solar stations had been established in different areas.

He said that the AEDB had also been adopting the required measures to introduce the regime of competitive bidding for upcoming alternative energy projects in the country.

Dr. Khan said that the AEDB was fully committed to promote all clean resources of energy to pursue the new Alternative Energy Policy of the country.

He said that the solar power projects would also be introduced for the faraway off-grid areas of the country.
He said that the AEDB had also been promoting net-metering system to allow individual consumers to utilize wind and solar energy.

Also speaking on the occasion, Zaigham Mahmood Rizvi, chairman of PM Housing Task Force, emphasised the need of using superior quality equipment products manufactured through conventional sources of energy would not be accepted by the developed countries.

He said that India had done much home work to switch its industries to the option of clean resources of energy.

He said the utilization of the clean energy resources had a massive impact on environment and carbon footprint of the country.

Mehfooz Qazi, Director Sindh Solar Energy Project, said that the Sindh government had been working on the US$ 100 million project to extensively promote the use of solar energy in the province.

He said that Sindh had the potential to generate up to 10 GWs of electricity on the basis of solar power as such clean source of energy was enough to make the province self-sufficient in its electricity needs.

He said that the project initiated with the support of World Bank envisaged setting up of solar parks, utilization of the rooftops of the government buildings for installing solar projects, and solar energy solutions for the off-grid areas.

He hoped that the new Alternative Energy Policy of the government would be helpful in implementing World Bank-assisted solar project in Sindh.

Senior energy consultant Faiz Bhutta
said that the commercial banks in the country should be encouraged to launch loan facility for upcoming clean energy projects.

Amin M Lakhani, Director of Clean Energy Project USAID (SEP), said that the government would ensure financial closure of upcoming renewable energy projects on urgent basis so that more clean electricity was available for the national grid.

Muhammad Ali Khan, Power Minister of Gilgit-Baltistan, said that the government of Gilgit-Baltistan had launched the initial study to assess the wind and solar power potential of the area.

He said that it was highly unfortunate that the GB had the potential of generating up to 55,000 MWs electricity on the basis of its hydro resource but despite this the region had been facing serious challenges in fulfilling its energy needs.

He said that the GB region required a clear-cut power policy as like other parts of the country so that it could tap its massive hydro resource not just for its own needs but also for the rest of Pakistan.

Naeem Qureshi, chairman of organizing committee of the conference, said that the Energy Update would continue to host more such roundtable sessions to assemble the energy experts from all over the country for the promotion of renewable energy resources.

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Special session held for SNG option amid acute gas shortage

The industrialists associated with the Korangi Industrial Area were recently introduced to the option of Substitute/Synthetic Natural Gas (SNG) for energising their industrial operations amid acute shortage of natural gas all across the country especially during winters. The SSGC Standing Committee of Korangi Association of Trade & Industry (KATI) in this regard organized an awareness session at the KATI offices. The Dynamic Engineering & Automation (DAE) gave a presentation to the concerned industrialists having the title “SNG the ultimate quick solution to counter natural gas crisis”. Those who attended the session were informed that SNG was LPG blended with air to allow fuel interchangeability with the natural gas. The participants of the session were informed on the occasion that DAE was a privately owned energy solution provider company focusing on the downstream of Pakistan Oil and Gas, Petrochemical and other process industries since 2006.

The DAE introduced the SNG concept in Pakistan for City gas and NG backup. The DAE has successfully completed mega energy projects of SNG in Gawadar, Surab, Noshki, KGM - Mirpurkhas with SSGC. It has also undertaken other industrial backup projects with well-known industries like EMCO Tiles, Soory Enterprises, Sitara Textile, Ittehad Chemicals, Tetrapak Pakistan, Yonus Textile, Millat Gears, Frontier Ceramics, Century Papers and others.

Those who attended the awareness session were informed that SNG can be the quickest possible energy solution to industries, gas utilities and remote towns.

The SNG could be adequately supplied even in peak periods (Peak Shaving). It is also available during natural gas outages as a back-up. It carries the ability to control pressure feed on gas shedding. The SNG is also a quick Replacement of NG without any modifications and changes in burners.

The DAE on the occasion proposed EPC Projects on a turnkey basis for supply of the SNG to the consumers. In this regard, the broad scope of work is described below; Design, Install and Operate the LPG Air Mix Plant at the customer’s site as per International Standards and recommendations. DAE will be responsible for Design, Supply, installation and Commissioning of LPG Air Mix (SNG) Plant and supply of SNG through Gas distribution pipeline network of the customer. The customer shall provide adequate land for the development of LPG Air Mix Project.

The DAE will ensure uninterrupted supply of SNG to consumers. (subject to O&M contract given to DAE). The DAE is a technology partner of Aether dba and serves the clients for local installation, sales and O&M services. The DAE has a strong focus on providing customized backup solutions to the industries and serve the clients with smooth transition and change over technology of fuel i.e. SNG with our precise equipment. The DAE is a pioneer in establishing first-state-of-the-art LPG Autogas station on turnkey basis for Hascol Petroleum Limited on main Sharea Faisal Karachi. The DAE accomplished SSGC’s LPG Air Mix projects as town gas on turnkey basis in Noshki, Surab, Gwadar and KGM (Mirpurkhas). The DAE installed, commissioned and started up first SNG (LPG Air Mix) as an industrial backup to Natural Gas in EMCO Tiles Lahore, and others well-known industries like; Sitara Textile, Ittehad Chemical, Tetra Pak, Millat Gears, Frontier Ceramics, Century papers, Soorty Denim, Yonus Textiles etc. ■

BankIslami wins Pakistan IP Excellence Award 2020

BankIslami, one of the most technologically advanced Islamic bank with 340 branches in more than 116 cities, wins Pakistan IP Excellence Award 2020 in the category of "Best IP Management" and "Most Innovative Banking Solutions." The prestigious IP Excellence Award provides rewards & recognition to motivate businesses and individuals to go above and beyond within the fields of patent, trademark and copyrights. Speaking on the occasion, Bilal Flaz, Group Head of Consumer Banking, stated "We are proud to be recognized for Best IP management and Innovative Banking solutions.

We are continuously launching state-of-the-art banking services and products in the market to keep our momentum going in the times to come." BankIslami continues to be one of the country's fastest-growing financial institutions, building values for customers and communities in Pakistan while reflecting the country's growing stature in the international financial space. ■
KPT, PR & LNG Easy signed MOU for LNG distribution

Karachi Port Trust joins hands with Pakistan Railways and private entities M/s LNG Easy (Pvt) Limited and Metrogas (Pvt) Limited signs Memorandum of Understanding (agreement) for the development of Virtual Pipeline facility. M/s LNG Easy Singapore is already in this business and is successfully operating similar projects in China, Malaysia, Myanmar and Vietnam. The ceremony was well attended by Senior management officials of KPT, Pakistan Railways and LNG Easy. Tripartite MoU was signed amongst KPT, LNG Easy (Pvt) Limited, and Pakistan Railways today 19th November, 2020. The signing of agreement has taken place between Chairman KPT Rear Admiral (R) Jamil Akhtar HI (M) T. Bt., Chairman Pakistan Railways Mr. Habib-ur-Rehman Gilani and CEO LNG Easy (Pvt) Limited Mr. Yasir Hamid and Mr. Owais Mir of Metrogas during the August ceremony.

KPT & Metro Gas signed MOU for disseminating LNG across Pakistan

Metro Gas (Pvt) Ltd has entered a MoU with Karachi Port Trust (KPT) for establishing Virtual Pipeline system for disseminating LNG across Pakistan. The ceremony was attended by KPT Trustees and officials and business community representatives. The MoU was signed by Rear Admiral Zaka ur Rehman, GM Operations KPT, on and Owais Mir, CEO, on Metro Gas (Pvt) Ltd. KPT will allocate suitable berths for this purpose and arrangements are underway by Metro Gas (Pvt) Ltd for the transportation of ISO tanks to customers through road. Metro Gas will re-gasify the LNG at end user premises and will also provide gas storage units. Aiming at meeting gas shortage in Pakistan through a rapid practical LNG Virtual Pipeline solution, it is expected to result in provision of much needed fuel for commercial, industrial and residential sectors of the country. This is also in line with the vision of the Prime Minister of Pakistan and present government and it will surely result in economic, social and industrial development much needed by the country. Minister for Maritime Affairs Mr. Ali Haider Zaidi and Minister for Railways Mr. Shehbaz Sharif had agreed in principle in 2019 to work together on this project during a meeting held at KPT. Chairman KPT spearheaded the project and facilitated the same through coordination with all the concerned stakeholders.

The LNG Virtual Pipeline can be the driving force to unlock the LNG market in Pakistan by providing accessible and affordable energy to SMEs and the common man and is grateful to KPT and the government for facilitating this project.

Metro Gas is a sister company of Dynamic Engineering and Automation-DEA Group is an Engineering Services Company focusing on the downstream of Pakistan Oil & Gas Industry. DEA is the pioneer in LPG Air Mix (SNG) technology in Pakistan and has installed LPG/SNG plants all over the country for city gas and Industrial and housing sector.
Plan to decentralise power sector

By Khaleeq Kiani

SPECIAL Assistant to Prime Minister (SAPM) on Power Tabish Gauhar has revealed that Prime Minister Imran Khan will personally promise the International Monetary Fund (IMF) a time-bound road map for power sector reforms in return for a freeze on the tariff increase - in fact, lower flat rates for the industrial and SME sectors to spur economic activity and absorb surplus capacity.

The prime minister has had a series of meetings on this issue over the last couple of weeks. Gauhar has recently replaced Shahzad Gasp resignation as senior colleague at AES Corporation. The SAPM said the prime minister was convinced that breaking the status quo was the key to execute a holistic three-year plan to sustainably "move the needle".

The plan to be made public soon seeks the decentralisation of power from the centre to the provinces and the boards of directors and management of individual companies under an incentive- and performance-based public-private partnership (PPP) model, including "provincialising" the distribution companies (Discos).

The Ministry of Energy will only be responsible for "planning and policy" encompassing both power and petroleum sectors and regulating them through the National Electric Power Regulatory Authority (Nepra) and Oil and Gas Regulatory Authority (Ogra). Within three years, the delivery and pricing of power and petroleum products will be deregulated under a multi-seller/multi-buyer plus wheeling arrangement to ensure "consumer choice" in retail distribution by abolishing all existing "natural-monopoly exclusivities".

Perhaps the most daring move under the plan is to do away with the countrywide uniform pricing formula, meaning more efficient Discos and lower end-consumer tariff and vice versa. This will be done through the removal of all "cross subsidies" i.e. from industrial to residential customers. The centre and the provinces will for the time being provide targeted cash transfers to the most deserving population through the Ehsaas programme. The government will shift its focus from investment in distribution and largely restrict its financing and ownership role to augmenting and removing the existing bottlenecks in the power, oil and gas transmission infrastructure for a more faithful merit order despatch regime to lower the incremental cost of power generation for consumers. With the formal actualisation of memorandums of understanding with Independent Power Producers (IPPs) within six months, the backdoor discussions with China will continue on the China-Pakistan Economic Corridor (CPEC)-based IPPs for extension in the debt tenor and reduction in the markup to address the chronic challenge of the circular debt.

The primary payment commitments will be transferred from Central Power Purchasing Agency-Guarantee (CPPA-G) to various other private-sector parties on a power commodity exchange within the next 18-24 months and the federal government will be responsible for only backstopping the "residual" capacity payment obligation subsequently. The reconciled net outstanding circular debt amount is planned to be settled through a 10-year government of Pakistan sukuk that the final intended recipients may choose to also monetise on the stock exchange. The key principle is not to recover the added cost of previous inefficiencies from paying customers in the tariff.

The plan argues that after the 18th Amendment and the 7th NFC Award, plugging the leakages in the "last mile" distribution network by reducing theft and improving collections has to be the primary responsibility of the local and provincial governments. The plan concedes that privatisation may not be the immediate practical solution as reforms may not materialise under the status quo scenario. Therefore, a province- led PPP model envisaging the transfer of assets and 100 per cent equity ownership of all nine Discos to the respective provincial governments will start with Punjab for Rs1 notional payment. All external debt and liabilities on the books of various Discos that are currently guaranteed by the Ministry
of Finance will remain sovereign debt and the Discos will stand effectively transferred to the provincial governments on a "debt-free" basis.

Afterwards, all future operational losses, or bleeding, of the Discos owing to transmission and distribution (T&D) losses and lower recoveries will be backstopped and funded by the relevant provincial governments. National Transmission and Despatch Company (NTDC)/CPPA-G will continue to sell bulk power to various Discos as per the agreed allocation or quota and the payment for such future supply under a power purchase agreement (PPA), including the settlement of fully reconciled arrears, will be deducted at source by the federal government under the forthcoming NFC Award. Discos or their respective provincial governments will be free to set up their own power generation capacity or source surplus power from IPPs not already fully contracted to NTDC. More importantly, they will be fully responsible for controlling theft, improving supply and reducing load shedding by or supplying power as per commercial and non-political considerations.

The various provincial government-owned Discos will be encouraged to sign PPP deals with the private sector - in the manner of Sindh Engro Coal Mining Company (SECMC). Such deals will handover management, but not ownership, control to the private sector that will also agree to finance 100pc of an agreed business value creation capex plan for each Disco. An appropriate incentive-based profit-sharing formula can be agreed between the two parties on a case-by-case basis. Nera will continue to regulate the power sector, including tariff setting, by eliminating the inter-Disco cross-subsidies and doing away with the countrywide uniform power tariff policy that has become a major source of disincentive for improvement.

UN warns world could become 'uninhabitable hell' unless leaders take climate action

PPL AGM approves 10 percent cash dividend

The 69th Annual General Meeting of Pakistan Petroleum Limited (PPL) was held on October 26 at Pearl Continental Hotel, Karachi. Members approved financial statements for the fiscal year ended June 30, 2020 together with the auditor's report. Final cash dividend of 10 percent on ordinary and convertible preference shares was also approved.

Presiding over the meeting, Chairman, Board of Directors Shamsul Islam shared that the Board managed to align the company with its vision and mission and set strategic goals for value creation and addition. He commended PPL management and staff for their commitment to ensure business continuity during the COVID-19 pandemic and thanked the government and shareholders for their support.

MD & CEO PPL Moin Raza Khan shared the company’s progress and achievements during 2019-20. He highlighted that it was a challenging year that demonstrated PPL’s resilience, ensuring uninterrupted energy supplies to the nation despite the pandemic. Even so the company recorded its third highest profit-after-tax of Rs 50 billion in its history.

Khan shared that PPL made two discoveries during the year. A fairly good-sized one, western most, operated Morgand X-1 in the difficult terrain of Kalat plateau, which is in the deeper part of Balochistan in the fifth line of hills, the appraisal of which will confirm the reserves size. This discovery has opened a new hydrocarbon play area in the country. The other one was made at Bitro-1 in partner-operated Latif Block.

The production remained around 0.9 Bscf/d amid low offtake from Kandhkot and natural decline from mature fields. However, production enhancement activities continued, including drilling of 14 development wells and obtaining early production from Fazal and Dhok Sultan in operated and Unarpur and Bitro in partner-operated areas. Further, efforts are afoot to bring Benari at Shah Bandar Block on production along with commissioning of GPF-IV Phase 2, completion of Zafir Processing Facility at Ghabat South and installation of oil and gas production facilities at Dhok Sultan, being among the significant ones.

To enhance exploration outreach and mitigate portfolio risks, PPL signed three farm-out and one farm-in agreements and also led a consortium of four local E&P companies to submit a bid for a block in Abu Dhabi Bid Round 2019.

Updating on PPL’s diversification strategy in the mining sector, Khan shared that commercial production of iron ore commenced from Nokkundi while post-feasibility activities of the Barite-Lead-Zinc project have gained further traction with promising export potential. Acceleration of activities in these areas and further new projects will have significant impact on company’s revenue. Due to a continuous investment in human resource development, quality, health, safety and environment, particularly communication and information technology and good governance best practices, PPL effectively operated through ‘Work From Home’ for most staff during the pandemic and managed field staff rotations for continuous operations along with online meetings as well as partial office attendance with strict adherence to SOPs.

On the CSR front, the company bagged the top Corporate Philanthropy Award for the 15th consecutive year as the largest corporate giver, and is expected to be the largest giver for this year.
Mari Petroleum to acquire Fauji's wind power projects

Ah, Big Oil. The term is technically used to describe the world's seven largest publicly traded oil and gas companies, including BP, Shell, and ExxonMobil. But the term is also used pejoratively, to describe influential lobby groups, particularly in the US political system. These groups often have a blatant disregard for the environment, and for the laws that protect our planet. However, corporations do respond to one thing: public perception. Witness, for instance BP (formerly known as British Petroleum), try to promote conversations about the carbon footprint in the 2000s. Witness also its memorable ad campaign "Beyond Petroleum". The truth is, even marketing gimmicks aside, the future for both companies and the planet, is renewable energy.

According to the U.S. Energy Information Administration, renewables (hydroelectric power and other renewables, including wind and solar) only made up 3% of energy consumption in 1990. Petroleum made up 2.4%. By 1975, renewables stood at 4.4% while petroleum stood at 45.5%, the highest share that bracket has ever had. In 2019, renewables made up 9.2%, while petroleum stood at 8.2%
The point is, renewables are set to grow, and companies around the world are trying to get on board, even if they do it begrudgingly in spurts. And it is also true in Pakistan. Thankfully, the country's hydroelectric power is in a much better position, with about 30.7% of all electricity in the country generated by hydel in fiscal year 2020 (during that year, the total electricity generation in the country was 134,746 GWh). Other renewable sources of energy remain limited: solar is a rounding error, contributing only 0.59% to the grid, while wind stood at 2.36% (that is around 2,882 GWh).

Wind power in particular, has been growing. In 2004, Pakistan set up the Alternative Energy Development Board (AEDB) to find out more about renewable energy, and wind power in particular. According to the Pakistan Environmental Protection Agency, Pakistan’s first commercial-scale wind power generation began in April 2009, when a potential wind farm in Gharo-Keti Bandar in Sindh was recognized. The 60 by 180 km Gharo Wind Corridor is estimated to have some 50,000 MW of wind power potential.

That is great, since the national target for renewable energy generation (not hydel) is 9,700 MW by 2030. In 2016, the country had six wind turbines that generated a grand total of 691 GWh. In 2020, there are now 24 wind turbines (all located in that corridor in Sindh).

But one of the oldest are Foundation Energy I (FWEL-I) and Foundation Energy II (FWEL-II). The former achieved financial close in July 2013 and commercial operations commenced in April 2015; while the latter achieved financial in April 2013 and commercial operations commenced in December 2014. They are practically identical: both plants are 50 MW each, which were set up at a cost of $128 million each, with a capital structure of 75% debt and 25% equity. Both are required to generate around 144 GWh annually, at a capacity factor of around 33%. Both power plants also have a bottom line of Rs1.2 billion each.

And now, in a notice issued to the Pakistan Stock Exchange on October 21, Mari Petroleum said it had submitted an Expression of Interest (EOI) to acquire majority shares in the two wind power projects. Mari petroleum is not a name one associates with renewable energy; the company which was founded in 1984 and took over Esso Eastern’s operations. It runs the country’s second largest gas field, Mari, in Sindh, and in total runs 19 oil and gas blocks throughout Pakistan.

According to Shankar Talreja, deputy head of research of Topline Securities, a brokerage house, in a note issued to clients on October 20, the same plants will cost around $64 million, as per the latest petitions filed with NEPRA. Crucially, Fauji Foundation and Fauji Fertilizer Bin Qasim (FFBL) have stakes of 30% and 35%, respectively in these plants. It is pertinent to mention here that Fauji Foundation is the umbrella foundation that also owns 40% of Mari Petroleum (the Oil and Gas Development Company owns 20%, while the Government of Pakistan owns 18.4%). Fauji Foundation also owns 18.26% in FFBL (Fauji Fertilizer Company holds 49.88% shares). So essentially, the wind power projects are changing hands, but staying within the same family.

According to Talreja, if Mari Petroleum acquires a 65% stake in the wind power projects, then its earnings are likely to be augmented by Rs12 per share, or 6% of its profit after tax. Talreja said that if one assumes a $50 million transaction value for each plant with a 25% equity portion, then FFBL is likely to receive cash of around $8.75 million, ro Rs1.4 billion. 153.Talreja also separately told Profit that the company has Rs 50 billion as of June 2020 in cash flows. That is a significant 84% increase from the Rs 27.34 billion recorded in 2019 (in 2016, it stood at just Rs626 million). “The company is actively looking for new opportunities within the energy chain," said Talreja. The decision to acquire majority stakes is great for Mari, which will help the company branch out into renewable energy. But will the petroleum company actually be able to add anything to the country’s renewable energy sector?
Pakistan asked to abandon coal

World Bank urges adding 24,000MW wind, solar power to reduce generation cost

Pakistan's reliance on coal to generate power is economically unviable and it needs to swiftly move towards adding about 24,000 megawatts of wind and solar-fired power in the next 10 years to reduce the cost of power generation, says a new study of the World Bank.

The Variable Renewable Energy Planning and Integration study suggests that Pakistan should quickly implement a major scale-up of solar and wind generation, which could result in savings of up to a billion dollars per annum.

The World Bank said that Pakistan's use of imported and local Thar coal to produce electricity was economically unviable. The additional electricity capacity from domestic and imported coal is not competitive with variable renewable energy, even before considering the environmental impact, said Karsten Schmitz, lead author of the report. He advised that Pakistan should reduce the share of coal-based power from current 29% to 13% of the total energy mix by 2030. As a result, the share of renewable energy should be increased from under 5% to 13% in 10 years, he added.

The World Bank's advice came amid the government's review of a second unit of 660 megawatts of Jamshoro power plant. The government is considering whether to shelve the unit due to slow progress on it. Pakistan needs to avoid repeating the cycle of load-shedding followed by emergency procurement and oversupply as it has been doing in the past, according to the report. This implies that it continues the planning for new capacity from wind and solar sources even when the country is in a position of supply surplus, recognising that the new capacity will take several years to come on stream, said the World Bank.

However, Pakistan currently faces the huge issue of paying about Rs850 billion annually as capacity payments. But the World Bank said that the capacity payments would not be lowered despite inclusion of new energy resources due to contractual obligations of the government. The study underlined that achieving a least-cost electricity mix in Pakistan would require a rapid expansion of variable renewable energy, reaching at least 30% of installed capacity by 2025, and at least 30% by 2030.

At least 6,700MW of wind and 17,500MW of solar photovoltaics (PV) should be added by 2030 to achieve government targets in a least cost way, it added. The study noted that adding renewable energy to the system would result in considerable fuel savings (mainly of imported RLNG) and savings in other variable costs of operation of thermal power plants. For example, some $380 million would be saved in one year (2022) if 7,300MW were added to the base case.

The energy demand in Pakistan has steadily grown in the past 50 years but growth rates have been shrinking since the 1980s when consumption doubled every six years. "Today, it takes 15 years and more" to double the energy demand, according to the report. The report stated that the electricity demand in Pakistan was suppressed due to insufficient power supply or transmission capacity, and low recoveries. Despite current surplus electricity, Pakistan should plan more investment in energy resources, said World Bank Country Director for Pakistan Najy Benhassine.

To a question, the World Bank said variable renewable energy would help to reduce the cost beyond these capacity payments - mainly operational costs for fuel but to some extent also variable O&M and in the long term also possible delay of capital investments.

The variable renewable energy does reduce overall system costs and this will also mitigate the overall cost burden. Net benefits will be substantial: the cost savings are more than the additional costs for variable renewable energy and for its integration into the system.

A large and sustained expansion of solar photovoltaic and wind power, alongside hydropower and substantial investments in the grid, is both achievable and desirable, said Najy. More than 10,000MW thermal capacity is going to be retired within the next 15 years. An optimum expansion would see a mixture of solar and wind and hydropower fill the gap up to 2032, according to the World Bank.

"Domestic coal is not economical when external costs of GHG emissions are considered. Other risks, such as water scarcity and security of supply due to concentration in one area, may further reduce the feasibility of domestic coal."
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Government should declare compulsory for buildings to follow energy code - Khurram Malick

Exclusive Talk

Exclusive interview of President HVACR Society, Pakistan

Government should make compulsory for all the new buildings in the country to follow the energy code, this was stated by Khurram Malick, President Pakistan HVACR Society, Energy Update recently interviewed him about the role of HVACR (Heating, Ventilation, Air-Conditioning, and Refrigeration) sector in the Pakistani economy and trade. Following are the important excerpts of his interview for our readers.

Energy Update: What is the significance of your society in Pakistan?

Khurram Malick: Our buildings were not so much service-oriented for the last 15 years. Now our buildings have become service-oriented to a great extent with almost 50 per cent each civil work and mechanical work. Our sector of HVACR has been playing an important role in the modern buildings as we have now become a very energy conscious nation. All the national and multi-national companies, which have been coming up with new buildings in the country, are very much focused on the issue of energy efficiency. We are playing a big role in this regard. Ours is a society of consultants who design the buildings, it is society of contractors who execute the projects, it is also a society of manufacturers who manufacture the equipment and as it is also the society of distributors who are showcasing and selling all such products in Pakistan. We possess all kinds of membership from a senior engineer to the level of technician. We are focusing on the entire arena of HVACR.

EU: What are the steps being taken by your society to reaffirm its commitment with the cause of environmental protection?

Malick: The HVACR Society signed a MoU with the Ministry of Climate Change of the federal government. Under this MoU, we organized a lot of programmes along with the ministry. We trained our technicians about good practices concerning refrigeration in three main cities of the country i.e. Karachi, Lahore, and Islamabad. For the purpose, we organized technical seminars lasting up to three days. Then we also celebrated the World Ozone Day. We have been actively working with Ministry of Climate Change as we have been performing our role to safeguard the environment as much as we can.

EU: In what manner the air-conditioning system could be used in the buildings to maximally protect human health especially in the context of ongoing COVID 19 pandemic?

Malick: As far as centrally air-conditioned buildings are required, it is a rule of thumb that they should carry the provision of 20 to 25 per cent induction of fresh air. All buildings in Pakistan with central AC system come with all kind of filtration options for constant air change.

EU: What role HVACR is playing in constructing new energy-efficient buildings in Pakistan?

Malick: For the cause of energy efficiency, we have been working with NEECA (National Energy Efficiency & Conservation Authority). A draft document has been prepared for the energy code compliance. But the implementation of the energy code in the country is all dependent upon government’s enforcement. Without the government’s enforcement, like nobody would make any extra investment in their buildings to ensure the energy code compliance. Though, there have been some people in the private sector who without any compulsion, have taken it upon themselves to ensure due observance of the energy code in their new buildings.

EU: In what manner the cause of energy conservation could be promoted in the country?

Malick: The implementation of the energy conservation modelling should be done in the right manner as without it nothing is going to happen on the ground. First of all, the Customs should not allow inefficient electrical appliances to enter the Pakistani market. Pakistan should not become a dumping ground...
of such energy inefficient equipment as rules and regulations in this regard are not being implemented in the country. Such appliance if allowed to be imported should be subjected to double taxation by the government so to make people buy energy-efficient equipment. In fact, import of the energy inefficient equipment should be banned in the country. Secondly, new buildings should comply with the energy code before they are granted regular electricity connections by the power utilities. The power utilities should not issue new connections to the buildings without their compliance with the energy code as it would compel owners of the new buildings to follow energy-efficient designs.

**Pakistan, Russia sign amended gas pipeline accord**

In a major development, the three-day Pakistan and Russia talks on 1,122-km high pressure RLNG pipeline from Karachi (Port Qasim) to Kasur (Punjab) ended with amendment in the Inter-Governmental Agreement (IGA) hi\[...\]d

Both the sides had earlier signed an Inter-Governmental Agreement (IGA) in 2015 when Russia was to erect the project with 100 percent financing, but after the GIDC verdict by the Supreme Court, and availability of liquity with Petroleum Division, the Inter-Governmental Agreement has been amended and the North South Gas Pipeline Project (NSGPP) has been renamed as Pakistan Stream Gas Pipeline Project (PSGPP) with 26 percent equity share from Russia. “Russia has not adopted to keep 49 percent shares in equity offered by Pakistan, but decided to have its equity at 26 percent. It means Pakistan will be having 74 percent equity in the project. The pipeline project will be backed by agreement based on take and pay mode with no sovereign guarantee,” one of the participants of the three day talks told The News.

“The talks during November 16-18 witnessed many upheavals and took dramatic turns but with skillful and meaningful role of Special Assistant to Prime Minister on Petroleum Nadeem Babar and Ms Saira Najeeb, MD of Inter State Gas Company, managed to get the IGA amended in the supreme interest of the country with Pakistan having majority shares of 74 percent in terms of equity in the project.”

**Ali Taha Al Temimi elected new Chairman of PPEPCA**

Ali Taha Al Temimi, Country Manager of Kuwait Foreign Petroleum Exploration Company, has been elected as the Chairman of Pakistan Petroleum Exploration and Production Companies’ Association (PPEPCA) for the new term.

The members of the executive committee of the (PPEPCA), whose term will last till September 30th, have elected the new chairman of the association.

Kamran Ahmed, CEO of Orient Petroleum, was elected as Senior Vice-Chairman, while, Wasim A Zuberi, GM-IPR, Trnasoil, was elected as Vice-Chairman of the association.

Presidents of the three expert committees of the PPEPCA for the new term are: Mausuf Ahmed, President UEP-Policy and Rules; Kamran Ahmed, CEO OPL-Fiscal Affairs; and Mir Wasim Zuberi, GM-IPR-Corporate Affairs Committee.

It was worth mentioning here that the PPEPCA, which came into existence in 1988, serves the main objective of coordinating the efforts of the companies engaged in the upstream petroleum industry activities in the country.

**CM Mahmood Khan orders timely completion of power projects**

Terming the timely completion of the ongoing mega power projects of the provincial government as the need of the hour, Chief Minister Mahmood Khan on Saturday directed the authorities concerned of Energy and Power Department to ensure the timely completion of all the ongoing power projects.

He was chairing a progress review meeting of the Energy and Power Department the other day. Besides Advisor to Chief Minister on Energy and Power Himayatullah Khan and Secretary Energy and Power Muhammad Zubair, other relevant high ups of the department and PEDO attended the meeting. The chief minister termed the establishment of the provincial Transmission and Dispatch Company an important step of the provincial government towards self-sufficiency in power-related issues and directed the high-ups of Energy and Power Department to start hiring process of the required human resources for the company as soon as possible so that the objective of the establishment of the company could be achieved without any delay.

The meeting was told that a total of eight projects were reflected in the Annual Development Program 2020-21, out of which six were approved by the competent forum whereas PCs-1 of the remaining two had been prepared and submitted to the forum concerned for formal approval.

It was told that the bid was received for the 300 MW Balakot Hydropower Project and construction on the same is expected to be started by February next year whereas 93 percent work on phase-1 of 356 mini hydel power project had been completed. So far an amount of Rs4352 million had been spent on the project. The meeting was also informed that progress on the 88 MW Gabral hydropower project and 157 MW Madayan hydropower project was being ensured as per the given timelines whereas civil and mechanical works on 17 MW Ranolia power project had been completed, adding that 60 percent civil work on 84 MW Gorkin Matlitan project and 97 percent civil work on 10 MW Jabori power project had been completed.

A number of other projects were also discussed at the meeting and directives were issued for their timely completion.
Earnings of NEPRA officials soar by up to 551%

By Salman Siddiqui

The salaries and allowances paid by the National Electric Power Regulatory Authority (Nepra) to its chairman and four provincial members has soared by up to 551% in the fiscal year ended June 30, 2020 compared to what they received in the preceding year.

The chairman received a sum of Rs9.97 million on account of managerial remuneration and other allowances in fiscal year (July-June) 2020 that was 551% higher than Rs1.53 million received in fiscal year 2019.

According to Nepra’s Annual Report 2020, the chairman received remuneration at Rs0.83 million per month during FY20 compared to Rs0.13 per month in the previous year. The chairman received substantial increase on account of other allowances to Rs4.18 million during the year compared to a mere Rs6.717 in the preceding year. Besides, members of the authority representing four provinces; Balochistan, Khyber-Pakhtunkhwa, Punjab and Sindh, received a sum of Rs39.52 million during the year that was 176% higher compared to Rs14.30 million received in the previous year.

This suggests that each member received a sum of Rs9.88 million during FY20 that translates into Rs0.82 million per month. The Federal Board of Revenue (FBR) has withdrawn the income tax exemption from Nepra and asked the power regulatory authority to pay a sum of Rs290 million for the tax years 2003-07, the report added. Nepra has, however, filed a case in the high court against FBR’s end of the exemption for the tax years 2003-07.

It elaborated that the tax authority issued notice to Nepra for filing of return of total income for the tax years 2003 to 2007. The Nepra management communicated its legal stance through correspondence with the tax authorities. However, “to comply with the requirements of statutory notices, returns for the tax years were filed claiming the net income of the Authority (Nepra) being exempt from tax.” However, the tax authorities amended the assessments for the tax years in question by rejecting the stance taken by Nepra and raised a net tax demand of Rs290 million. The Commission Inland Revenue (Appeals) also upheld these amendments.

Whereas, amendment for the tax year 2003 was annulled by the Appellate Tribunal Inland Revenue on legal grounds. "The Authority (Nepra) has filed reference before the High Court which is pending adjudication," Nepra said. Due to the pendency of these cases, the authority has accounted for the amount of Rs290 million paid as tax as advance. However, no provision for the same has been made in these financial statements (for fiscal year 2020), it said. Nepra received gross fee income (for award and change in licenses) of Rs1.44 billion during the year compared to Rs1.30 billion in the previous year. It paid Rs43.45 million to the Competition Commission of Pakistan (CCP) during the year.

“This represents an amount payable to CCP under the CCP Act whereby five (regulatory) authorities are required to pay an amount equal to 3% of its revenue to CCP every year,” it said.

BASF and GO Pakistan sign MoU for research-based collaboration

BASF has entered a partnership with Gas and Oil (GO) Pakistan to help vehicles improve fuel efficiency and reduce their environmental impact. A memorandum of understanding (MoU) was signed in the presence of Faisal Akhtar, Managing Director, BASF Pakistan and Zeeshan Tayyeb, Chief Operating Officer, GO Pakistan. Under the MoU, GO will apply BASF’s wide range of Keropur® additives to conventional fuel to reduce fuel consumption and emissions. In addition, both parties will exchange knowledge to better serve local customers in Pakistan.

“Air pollution is a pressing issue in Pakistan. With GO’s expertise in the downstream petroleum business and our world-class components and formulations, we aim to bring chemistry-driven innovations to the automotive industry in the country,” said Faisal Akhtar. “As one of the leading oil marketing companies in the country, we aim to supply high-quality petroleum products to our customers across Pakistan. With partners like BASF, we are one step closer to making our mission a reality,” said Zeeshan Tayyeb.
Amendment of PPAs with IPPs:

Pakistan to get benefit of Rs11,000 bn in next 30 years

Pakistani will be having a mammoth monetary benefit of Rs10-11 trillion in the next 25-30 years time, once the PTI government succeeds to get the Power Purchase Agreements (PPAs), having capacity to generate 22,000 MW of electricity, amended with material changes in consultation with the IPPs.

“So far, the government has signed MoUs with 53 IPPs, which will yield dividends of Rs836 billion in the next 10-12 years and if the government further manages to sign MoUs with more IPPs installed under the 2015 power policy, including the ones set up under the CPEC umbrella, then the country will have huge monetary benefit of Rs10-11 trillion in the next 25-30 years time,” claimed Special Assistant to Prime Minister on Power Tabish Gohar in an interview.

During the one-hour-long interview, Gohar touched on almost all issues of power sector starting from MoUs signed with 53 IPPs so far with further intention of the government for inking more agreements with IPPs installed under the power policy 2015, including the ones established under CPEC umbrella on the issue of increasing challenge of capacity payment to IPPs. He also discussed the way forward for turning loss-making DISCOs into profit earning entities to the monster of circular debt that has virtually made the power sector unsustainable.

He too highlighted the bitter facts that four DISCOs that include HESCO, SEPCO, PESCO and QESCO are adding 85 percent line losses that appear in circular debt. As a whole, all DISCOs on account of transmission and distribution losses and less recovery of electricity bills are annually adding Rs150-200 billion to the circular debt. He said if the status quo continues and no endeavors are made to bring down the losses and improve recovery, then circular debt that stands at Rs2.3 trillion will soar up to Rs4,000 billion by 2025.

He said the government has to pay this year Rs900 billion to IPPs, which will increase to Rs1.6 trillion by 2030. Gohar also talked about the IMF demand seeking raise in tariff by about Rs1.50 per unit from January 1, 2020, saying the government has put the increase in tariff on hold for a while. “The government has sensitized the Fund people arguing it is not possible for a country like Pakistan whose economy has suffered during the COVID-19 first wave. Now the second wave of COVID-19 has appeared on the scene and no one knows how long it will last.”

The SAPM on the power sector went on to argue that on the one hand the IMF is asking the US government to introduce the stimulus for impetus in the economy but when it comes to Pakistan, the Fund’s viewpoint is otherwise. “We are in the process of creating the demand for electricity from the industrial sector and SMEs, enabling the government to pay capacity charges payment to IPPs and generate economic activities and to this effect the government has reduced the power tariff by 25-50 percent on incremental use of electricity.”

He further maintained: “We have come up with the price signaling for increasing the electricity consumption by the industrial sector but the IMF demand seeking raise in tariff will ruin the government endeavor. And more importantly, the government feels that masses are not in a position to pay more increase in tariff as they are already experiencing a huge increase in power and gas tariff coupled with high inflation in the country.”

However, he explained that Rs0.14 per unit is required to increase in the head of quarterly tariff adjustment and over Rs1.25 per unit is needed to be increased in the head annual rebasing in the power tariff from January 2020. To a question, he said that in Pakistan, the power tariff is already higher by
25 percent if compared with competing economies of India and Bangladesh.

Mentioning about the MOUs inked with 53 IPPs, he said that the government has to clear the dues of Rs425 billion of IPPs before converting MOUs into amended agreements. The dues of Rs425 billion include Rs205 billion as equity, Rs136 billion as energy purchase price and Rs14 billion as late payment surcharge. The IPPs also need to pay Rs130 billion to state owned entities of PSO, Sui Northern and OGDCL, so the amounts of Rs136 billion will be adjusted against the dues of the said government entities. As far as late payment surcharge is concerned, it will be adjusted against the amount that IPPs owe to PSO, OGDCL and Sui Northern in the same head of LPS.

This means, he said, the amount of Rs205 billion is left for which the government is working on a financial instrument, including issuance of Sukuk Bond under which the said amount will be offloaded by the government to IPPs. The government is bound to convert the MOUs into legal form of agreements in six months and to this effect three months have already elapsed as MoUs were signed on August 13, 2020. He said the government will be able to convert the MOUs into amended PPAs in one and a half month’s period. Under the MoUs signed with 53 IPPs, the government has managed to introduce with the consent of IPPs the material changes in the existing PPAs that will yield reasonable dividends amounting to Rs836 billion in the next 10-12 years.

Gohar further said that profit of GENCOs will be reduced to 10 percent and rate of return of nuclear power plants of 1,000MW will be reduced from 15 percent with dollar indexation to 14.5 percent in rupee indexation. He also said that the profit of nuclear plants K2 and K3 of 2,300 MW will also be brought to 14.5 percent in rupee-term from 15 percent rate of return with dollar indexation. The profits of hydropower projects will also be rationalized accordingly. However, profit of RLNG based power plants will be reduced from 15 to 12pc in dollar indexation. He said that inefficient GENCOS of 1,750-1,800 MW has been made non-operational and the process by NEPRA to de-license them is underway. And the remaining Gencos of 1,400-1,500 MW will be shut down in the next one to two years.

He said that the biggest challenge for the government comes from the electric power distribution companies which are unable to improve the recovery and bring down the T&D losses that cause more contribution in the circular debt if compared with Genco’s share. He said: “We are facing resistance for reforms in DISCOs from within the system.” He said the time has come to run DISCOs under public-private partnership with stakes of provincial governments in the board of directors. DISCOs should be given financial autonomy with fully independent boards based on professional people. The boards should select CEOs of their DISCOs with performance targets having powers enough to say no to any interference from political figures and bureaucracy.

Renewable sector grows despite pandemic

The coronavirus pandemic may have dealt a blow to energy demand but growth of renewables in the electric power sector has continued at a record pace, an IEA report said on Tuesday.

Moreover, wind and solar photovoltaic (PV) panels are on course to become the top source of electricity in a few years, first surpassing natural gas and then coal. “In 2025, renewables are set to become the largest source of electricity generation worldwide, ending coal’s five decades as the top power provider,” said the head of the International Energy Agency (IEA), Fatih Birol. “By that time, renewables are expected to supply one-third of the world’s electricity - and their total capacity will be twice the size of the entire power capacity of China today,” he added.

The IEA’s annual report on renewable energy put new capacity of renewable electricity generation on track for a record of almost 200 gigawatts this year despite the disruptions caused by the coronavirus. The electricity generated by renewables will increase by 7% globally in 2020 despite a 5% annual drop in global energy demand, the largest since World War II, the IEA estimates.

Furthermore, the Paris-based agency, which advises advanced nations on energy policy, expects growth in renewable power to set another record in 2021. The blistering pace of growth is due in part to strong appetite by investors.

The IEA pointed out that shares in publicly-listed renewable manufacturers and project developers have outperformed the overall energy sector and most major stock market indices. But renewables outside the electricity sector are suffering from the impact of the coronavirus pandemic, the IEA found. Biofuels have been hit by the drop in transport and industrial activity as countries have put in place restrictions to stem the spread of the coronavirus.

Sweden’s new car carrier is the world’s largest wind-powered vessel
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Tianjin Sure Instrument is flow measurement application & flow meter manufacturer with more than 13 years export experience. Company is located in Tianjin which one of the most developed and industrialized cities in China.

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Fifty per cent availability of natural gas in the country also halves economic and industrial activities in Pakistan. This was stated by renowned industrialist Mian Zahid Hussain as the Energy Update recently interviewed him mainly on the state of the industrial sector in Pakistan. Following are the important excerpts of his interview for our readers:

**Energy Update: What damage to the Pakistani trade and industry has been done by the Covid-19?**

Mian Zahid Hussain (MZH): The industry and economic activities in the country are yet to be fully revived although they have been on the rise and gradually improving. In this regard, the government’s policy of imposing smart lockdown in the country has been appreciated by the chief of the World Health Organization. Earlier, the complete lockdown regime imposed in the country was much stricter that affected our economic activities and exports to a great extent. Now things are getting improved gradually. The businessmen have been trying their best to overcome the loss they incurred during the last three to four months. They are trying to speed up the business activities. Then afterwards the business activities once more came to a halt for around 14 days due to heavy monsoon rains in the province. Then there are also issues related to gas shortfall and mismanagement in the power sector of the country. Owing to these problems related to the energy sector, the industry could not work in its full swing. The industries have been unable to meet their production demand including export orders from abroad. All these issues have been mainly due to bad governance in the country.

**EU: What is the attitude of the present government towards resolution of these issues?**

MZH: As far as the Prime Minister is concerned, we see fullest effort, struggle, and sympathy on his part to resolve our issues. But it is unfortunate that the performance of his team and that of public sector institutions including their chiefs has not been up to the mark. They should gear up to match the level of the PM. They should support the efforts of the PM. There have been a number of
issues in this regard as these institutions and heads have not been fulfilling their obligations with full zeal and responsibility. The same issues were communicated to the PM and Sindh Governor when we met them. Some of the team members of the PM like Nadeem Babar, Abdul Razak Dawood, and Dr Abdul Hafeez Shaikh have been discharging their responsibilities excellently as they are always available to us. Similarly, the Governor of State Bank of Pakistan and new chief of Federal Reserve Governor have been doing good work.

EU: What is your viewpoint about the situation of civic infrastructure in Karachi?

MZH: On the basis of our recent top-level meetings with the Chief of Army Staff and the PM, we think that the newly announced Rs 1100 billion Karachi development package is a serious and sincere effort on the part of the government. A good aspect of this development is that the Sindh government is on-board in this package. Not just the Sindh government, but all the concerned stakeholders including the National Disaster Management Authority are on-board in this regard. The recent monsoon rain disaster has fully exposed the performance of all the civic agencies. This indiscipline and maladministration has caused much damage to Karachi as the management of the city needs to be organized. The work on the Karachi development package should immediately start as funds for the purpose have been allocated. The PM and the Army Chief both have said that three years are required to implement this package.

EU: What is the progress of the lubricant industry of the country?

MZH: The lubricant industry has also been passing through a state of crisis as the National Refinery utterly lacks the ability to fulfill the demand of raw material required by the industry to produce lubricants. For instance, the National Refinery requires two million gallons water daily to do production at full capacity as against this demand it is supplied just 200,000 gallons water every day so the refinery is unable to meet our demand of raw material.

WAPDA eyes on Rohtas Dam

Pakistan Water and Power Development Authority (WAPDA) eyes on Rohtas Dam as it has decided to implement the project for effective mitigation of floods and store flood water to be used for agriculture. With this in view, WAPDA has been evaluating the possibility to construct this project more vigorously.

This was revealed during a meeting presided over by WAPDA Chairman Lt Gen Muhammad Hussain (Retd) and attended by the senior officers concerned. Underlining the need for construction of dams, the Chairman said that Rohtas Dam, like 100 MW reservoirs, will also play a pivotal role in saving the country from devastating floods and conserving flood water to bring additional land under plough. He directed the officers concerned to take up the project on priority and complete the studies and other allied tasks in the shortest possible time. The Chairman also made a mention of the multi-pronged strategy of WAPDA to harness water resources in the country under which a number of under-construction projects are progressing well including Mohmand Dam, Diamer Basha Dam, Kurram Tangi Dam (Stage-I) and Dasu Hydropower Project (Stage-I). It is pertinent to mention that Rohtas Dam site is identified across River Kahan, a tributary of River Jhelum in a gorge near Rohtas Fort about 7.5 Kilometer South of Dina Town in District Jhelum. Main objectives of the Project include mitigating floods, storage surplus flows of Mangla Reservoir during flood and low-cost hydel power generation. The Project envisages a link channel taking-off from Mangla and ending at Rohtas to divert surplus flows from Mangla Reservoir to the proposed Rohtas Dam. The initial studies suggest that Rohtas Dam will have a water storage capacity of 2 to 3 million acre feet (MAF). In addition, the project will generate 100 MW of low-cost hydel electricity.
USAID works with the Government of Pakistan and development partners to strengthen the power system value chain through infrastructure, operational, and policy reform improvements for a more reliable and sustainable energy sector.

**WHAT WE DO**

USAID is working to achieve the following objectives:

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- Support the development of investment opportunities and enhance the Government of Pakistan’s capacity to bring projects to financial close.
- Support the transmission system operator (NTDC) in managing and expanding the national grid, while ensuring reliable, efficient, and stable transmission and dispatch services.
- Support the market operator and regulator (CPPA-G and NEPRA, respectively) in transitioning to an open wholesale market.
- Contribute to performance improvements at electricity distribution companies.
- Overcome barriers to renewable energy investment through suitable policy, regulatory, or legislative amendments and procurement measures.

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01. Provided legal and transactional support for the financial closing of 12 wind power projects with a total capacity of 616MW, mobilizing investment of $714 million from the private and public sectors.

02. Supported the establishment of a national integrated energy planning capability and institutional framework, leading to $2.8 million of government funding.

03. Equipped NTDC & CPPA-G with advanced analytical tools including PLEXOS and PSR.
These tools have been used to develop Pakistan’s first Indicative Generation Capacity Expansion Plan (IGCEP) 2047:
- PLEXOS helped leverage $0.3 million to support the World Bank initiative on grid integration of renewables and national generation planning.

04. Implementing a secured metering system (SMS) by installing 100 SMS meters and 1,110 units of communication equipment, to improve accuracy and transparency in billing and settlements.

05. Installing 5,279 smart meters at PESCO and MEOCO leading to a functional, multi-vendor compliant advanced metering infrastructure (AMI) landscape.

06. Developing a model subdivision at PESCO by installing 157 kilometer (km) of aerial bundled cable (ABC), 380 units of asset performance management & protection system (APMS), and 1,000 AMI smart meters to reduce distribution and commercial losses.

07. Establishing a Planning & Engineering Department at TESCO equipped with software such as Synergi Electric (for load flow study) and ArcGIS (for asset mapping).

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**USAID’s ONGOING IMPACT**
**WAPDA vows completion of K-IV within the shortest possible time**

In the wake of handing over implementation responsibility of Greater Karachi Water Supply Scheme (K-IV) to Pakistan Water and Power Development Authority (WAPDA) by the Ministry of Planning Development and Special Initiatives, WAPDA Chairman Lt Gen Muzammil Hussain (R) held a meeting with the stakeholders to find out a way forward for completion of K-IV within the shortest possible time. The meeting was attended by the National Assembly Member hailing from Karachi Muhammad Najeeb Haroon, Chairman Planning and Development Board Government of Sindh, Joint Secretary Ministry of Water Resources, Director General (Monitoring) Ministry of Planning, Development and Special Initiatives, Managing Director Karachi Water and Sewerage Board, Project Director (K-IV) Sindh, Director (Plans) FWO, Project Manager (K-IV) OCL Consultants, Member (Finance) WAPDA, Member (Water) WAPDA and WAPDA’s General Managers concerned. Speaking on the occasion, WAPDA Chairman thanked the Federal Government for reposing trust in WAPDA for construction of K-IV. He also thanked the participants for taking their time out to attend the meeting and share their views about such an important Project. Emphasizing upon the significance of K-IV, the Chairman vowed that WAPDA will make strenuous efforts to complete the Project within stipulated time so that the people of Karachi - the largest city and economic hub of Pakistan - can accrue benefits from the Project as early as possible. Employing its in-house expertise for implementing mega projects and making benefit of the data available with the Federal and Provincial stakeholders, WAPDA will chalk out well defined timelines for completion of K-IV, making it sure to achieve the targets accordingly, the Chairman further said. Later, Project Director (K-IV) Sindh, Director (Plans) FWO and Director OCL Consultants also briefed the participants about the Project. Impediments in the way to completion of K-IV and the matters relating to evolving an effective mechanism of mutual cooperation were also discussed in detail during the meeting. It is worth mentioning here that Greater Karachi Water Supply Scheme (K-IV) envisages to supply 260 million gallons per day of water to Karachi in Phase-I. The Project was earlier being undertaken by the Sindh Government, however, the Federal Government, under an arrangement with the Provincial Government has now taken up implementation of the Project as part of the Prime Minister’s Package for Karachi and directed WAPDA to immediately take over the implementation responsibilities of the Project.

**TPL Life and Mobilink partner to provide protection against COVID-19**

TPL Life, a leading insurtech in Pakistan, has partnered with Mobilink Microfinance Bank Ltd. (MMBL), Pakistan’s largest digital bank to launch “Corona Tahaffuz,” an insurance product designed for MMBL’s customers and will be available through the banks’ branches across Pakistan. Following the collaboration, MMBL customers will have access to comprehensive insurance coverage for themselves and their family, a cash benefit of Rs. 7,500, as well as Rs. 1,500 per day quarantine benefit in-case of a COVID-19 diagnosis. Corona Tahaffuz will also provide customers financial assistance throughout the period of diagnosis and, at the unfortunate event of fatality due to the virus, a cash benefit of Rs50,000 will be provided to the policy holder and/or family members.

Speaking on the collaboration, Faisal Abbasi, CEO, TPL Life said, “This partnership is the outcome of TPL Life’s commitment to provide personalized propositions to address the needs of every customer segment in Pakistan. We are driven by passion towards our customers and our aim to provide empathetic services during these unprecedented times. While the Coronavirus continues to spread, uncertain times still lie ahead of us. I am confident that together with MMBL, TPL Life will go a long way to ensure financial safety and peace of mind for stakeholders of both companies.”

Ghazanfar Azzami, President & CEO, MMBL said, “We are pleased to further strengthen our partnership with TPL Life and cater to the need-of-the-hour with a truly relevant product. Just like TPL Life, our main focus is our customers and this is embedded in our core values at MMBL. I look forward to a continuous and fruitful collaboration with TPL Life.”

Special blanket for those who want to exercise but can’t wake up in the morning :)

www.nergyupdate.com.pk
Gathers the world LPG industry virtually

E-LPG Week delivered unrivalled content from industry leaders and global influencers, a unique virtual showcase for LPG companies and opportunities for networking with existing and new business contacts. e-LPG Week was hosted on a world class interactive digital platform with cutting-edge Artificial Intelligence technology to enhance the networking and business experience, and create lasting business relationships, along with live and recorded high-level sessions allowing participants to join in polls, Q&A sessions and chat boards.

Goals, Gather the LPG industry virtually, create a new way for stakeholders to network and do business, provide engaging content, allow for a way for attendees to interact with each other and the speakers, provide immediate, mid-term and long-term content access, go beyond a standard webinar

For those registered, the platform remains open until January 31st 2021 giving you plenty of opportunity to revisit some of the outstanding content.

Top 10 countries: USA, UK, Brazil, France, India, Chile, Turkey, Italy, Netherlands and Portugal.

The Roundtable opening address was given by Mr Shrikant Madhav Vaidya (Chairman, Indian Oil Corporation) and penal was comprising Sunil Mathur (Executive Director LPG, Indian Oil Corporation), Mr Michael Stivala (President & CEO, Suburban Propane), Dr Angela Wilkinson (Secretary General & CEO, World Energy Council).

Key takeaways were from Vaidya, the success of the Ujjwala scheme in India which have had extremely positive effects on the Indian LPG industry and enabled access for the poorest of communities. The ‘blue flame revolution’ means that 83 million customers do not have to leave their homes in search of cooking fuel. LPG is a game changer that can address multiple objectives.

Mr Stivala: It is critical we link advocacy with innovation and demonstrate a willingness to innovate. There is no one solution, every sector must contribute so that LPG is on a level playing field with other energy sources. For renewable energy to be a success in the US we need policy makers, incentives to make LPG more competitive, scalability, and market acceptance.

Ms Cozzi: Today we are in unprecedented times and all energy sectors are impacted. IEA works with governments to see what role the energy sector can have to stimulate economy, bring people back to work, and ensure we put stress on a sustainable future.

Dr Wilkinson: There must be innovation and electrification is not the sole answer. She talked about the Four ‘D’s: Decarbonisation, decentralisation, digitalisation and disruption and a shift to demand generation.

Mr Mathur: Access to LPG in India is critical, government support helped launch the schemes that have made this a success, particularly with empowering women including one million people giving up their LPG subsidy.

The primary aim of GTC is to showcase the most innovative and original technological ideas from around the world and create new opportunities for the LPG industry. The annual Global Technology Conference (GTC) took place again as a part of the WLPGA annual event, the e-LPG Week this year. A total of 10 innovative papers were presented during the GTC Part 1 and Part 2 sessions lead by Nikos Xydas and David Tyler. At the end of the sessions an on-line voting, together with the assessments from the GTC steering committee, confirmed the GTC 2020 award winners, with the technologies that bring the LPG market into the future.

The winner of the GTC 2020 innovation award is GASCO GLP, Chile for their paper ‘Gas Connect’. The runner-up of the GTC 2020 innovation award is Tecogen Inc. for their paper ‘A LPG Near Zero Emission System for Forklifts - Status Update’.

LPG Distribution category - Tokyo Gas Liquid Holdings Co., Ltd. and Azbil Kimmon, for their paper ‘Next era of cylinder distribution using digital transformation technologies’.

This year’s Autogas Day took place as a three part session on November 4th, 5th & 6th. This year, Autogas Day kicked-
off with a session on developing markets, followed by innovation, and the transport energy mix of the future. The speakers came from the entire value chain of the industry, as well as policy makers from key markets, and energy experts. The Autogas market is well established in markets like the EU, but there is tremendous potential yet for many regions. Autogas Day 2020 provided an opportunity for those in the industry to understand how they might expand their business, and for other key stakeholders to better understand the benefits of driving on Autogas and the critical policies needed to support its uptake.

The two sessions that formed the LPG 4 Development Summit (LP4DEV) had distinct focuses. The first looked at how increasing access to clean energies such as LPG is a way to accelerate achievement of the United Nations Sustainable Development Goals (SDG). It featured speakers from the United Nations Development Program (UNDP) the World Health Organization (WHO), Loughborough University and the Global LPG Partnership (GLPGP) which co-hosted the LP4DEV Summit.

The second session looked at country level projects and programmes on the ground. This session featured speakers from Circle Gas in the UK which is pioneering pay as you go LPG systems in East Africa; a senior representative from Indian Oil Corporation driving the largest LPG switching programme in history; a representative of the Rocky Mountain Institute which positions LPG and electricity not as competitors but as complimentary; and the Managing Director of Oryx Energies South Africa who is the only woman MD of a major LPG company in sub-Saharan Africa. She spoke about the need for the LPG industry to be more gender inclusive and how this will improve the industry’s long-term potential.

Supported by the Propane Education and Research Council (PERC) the subject for the World LPG Challenge’20 was LPG in a ‘Responsible Energy Future’. The judging panel, consisting of representatives from both within the LPG industry and the start-up community, selected a short list of three submissions from SparkLPG, Artusystem and Quempin SPA. Each of the three finalists presented a pre-recorded, 5-minute pitch which was shown live during LPG Week. The audience then voted using the on-line polling tool and Nicolas Becker Castellaro of Quempin SPA received the most votes for his submission proposing high efficiency, low emission burners, and was declared the winner. All three finalists receive a cash prize for making the finals. Quempin SPA also receives a complimentary invitation to join LPG Week 2021 in Dubai.

The virtual Marketplace was the central hub of e-LPG Week, and represented a unique showcase for LPG companies to present their cutting edge technology, industry equipment, latest innovations and key services to the LPG community and beyond.

Powering Pakistan from the heart of the desert

Hitachi ABB Power Grids’ gas-insulated switchgear will supply reliable power from country’s largest desert

Pakistan aims to ensure energy independence by leveraging its own natural resources. Hitachi ABB Power Grids will provide 550-kilovolt (kV) gas-insulated switchgear (GIS) to power generation equipment manufacturer Shanghai Electric. The Thar Block-I project comprises two power plants with the capacity to generate 1,320 megawatts (MW) of electricity to the national grid.

Hitachi ABB Power Grids’ high-voltage compact metal encapsulated GIS offers outstanding reliability and operational safety in challenging climatic conditions. The GIS is an important component of a major energy project as part of the China-Pakistan Economic Corridor (CPEC), a special purpose vehicle of Shanghai Electric in Pakistan. The mine covers more than 9,000 kilometers in the Thar desert, located in the south-eastern part of Pakistan’s Sindh Province.

“We have been collaborating with Shanghai Electric for many years and it is exciting to see our partnership taking us to new opportunities in Pakistan,” said Naeem Ahmed, Country Managing Director in Pakistan, Hitachi ABB Power Grids. “This enables us to demonstrate to the country’s utility providers the reliable quality and strong service ethos Hitachi ABB Power Grids offers its customers.”

The power plants are expected to begin operations in 2022. Yaoyao Hu, Project Director for Thar project from Shanghai Electric China said, “Due to our longstanding relationship with Hitachi ABB Power Grids, we have full confidence in the company’s expertise to engineer complex projects with unique technical requirements in a short time.”

Hitachi ABB Power Grids pioneered GIS technology over 50 years ago and continues to drive innovations in this space. As a market and technology leader in high-voltage GIS technology, Hitachi ABB Power Grids offers ratings and applications from 72.5kV to 1,200KV and has a global installed base of more than 37,000 bays. Its latest offering includes eco-efficient and digital capabilities.
US Elections 2020

The likely impact of new US Administration's policy and specific implications with Pakistan

As a new US Administration is set to take office under President-elect Joe Biden, Jinnah Institute quizzes a panel of former diplomats and policy experts on the likely impact of US policy interests in the region, and specific implications for America's relations with Pakistan.

Ashraf J. Qazi, Former Diplomat
The perennial question among Pakistani observers about which American Presidential candidate or political party suits Pakistan is irrelevant. Pakistan faces colossal domestic and external challenges. Only a comprehensive and rapid national transformation can deal with them. Tragically, apart from rhetoric, there is little sign of this happening. Nor is there any discernible intention among the ruling political and institutional elites for it to happen.

Unless Pakistan is seen to be seriously and effectively dealing with its challenges, its views and complaints - however valid - will not be taken seriously. If the people of Pakistan are seen as resigned to their fate and its rulers are seen to be no friends of the people, no country will strategically invest in its future. Only a seriously and successfully governed Pakistan - which requires the organized ownership and active participation of its people - can command the respect of friend and foe alike, and maximize its policy options vis-à-vis the several simultaneous existential challenges it faces. Should this happen, it will not matter who rules in Washington. Should it not, then for an opposite set of reasons, it will similarly not matter.

Salman Bashir, Former Foreign Secretary
The Biden Administration's avowed goal is a 'value-based policy' that will restore US standing in the world. Pakistanis are relieved and enthused to see the new Administration succeed. Yet, like elsewhere the Trump years have left a conflicted, uncertain world. For Pakistan, forging a value-based relationship with America is the way forward. This requires sincerity of purpose on all sides. The US needs to step back and take stock of South Asian realities. It is here that the new Administration will be crucially tested. Only lip service to human rights, including for the Kashmiris, will not be enough.

The Indo-Pacific strategy, if extended to South Asia, will pose formidable difficulties for regional states that are vulnerable to India's bullying, and resent and resist Indian arrogance and hegemony.

Arif Rafiq, Non-resident Fellow, Middle East Institute
Expect more continuity than change in the Biden administration's Pakistan policy. Pursuit of an Afghanistan end-game will dominate the relationship, whose tenor, if not the substance, will continue to hinge upon how that process fares and perceptions of Pakistan's helpfulness.

The Biden administration will also expect Pakistan to continue to push forward counterterrorism-related reforms, both through the FATF compliance process, and outside of it. US-China competition will endure, if not intensify during Biden's tenure, and Pakistan will certainly bear its externalities, especially as a result of the stronger alignment between Washington and New Delhi, and perceptions of a Sino-Pak entente represented by the China-Pakistan Economic Corridor.

Zahid Hussain, Senior Research Fellow, Jinnah Institute
Perhaps the most controversial American president in recent history, Donald Trump has disrupted the existing world order. Rejecting multilateralism, he has pursued a policy of unilateralism and American exclusiveness thus intensifying international conflicts. Victory for his Democratic rival would certainly change the course of American foreign policy and mark a return to multilateralism wherever it suits the broader American interest. The fall of Trump would at least restore some order to America's relations with other countries, in particular its allies. The change of leadership in Washington, however, will not affect the US plan to withdraw its troops from Afghanistan. This is the only policy area where there is no difference of views between the two rivals.

Taimur Shamal, Foreign Policy Analyst, Talk-show host on PTV
Pakistan and US relations have seen several ups and down in the past years. The trends in the relationship show fluctuating American interests and goals in the region, while Pakistan has adapted to these developments with a focus on setting its own short to medium, and long term goals.

Top priority for Pakistan and the US is the ongoing war and violence in Afghanistan that has consumed innocent lives on both sides of the Pak-Afghan border. Although the new intra-Afghan talks have shown prospects for peace, spoilers like ISIS and its regional supporters may prove to be devastating for US efforts and regional peace, if not taken care of. A peaceful Afghanistan is therefore top priority for Pakistan and the US.
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