



## PRESS RELEASE

All Pakistan Textile Mills Association (APTMA) issued the following Press Release

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### **INDUSTRIAL POWER TARIFFS – HIGH ENERGY COSTS CAUSING DECLINE IN POWER CONSUMPTION: ASIF INAM**

*KARACHI, 21<sup>st</sup> February 2024 – Industrial power tariffs in Pakistan are currently at around 17 cents/kWh. This is over twice the regional average, with power tariffs for textiles sector in India at 6 cents/kWh, Bangladesh at 8.6 cents/kWh and Vietnam at 7.2 cents/kWh.*

The price of gas has been raised to Rs. 2,750/MMBtu, which is a total increase of 223% since January 2023. This will take the price of captive generation from around 10 cents/kWh (at Rs. 2,250/MMBtu captive rate) to 12.2 cents/kWh which is well above a regionally competitive level of 9 cents/kWh and power tariffs in regional economies.

High energy costs are causing power consumption to decline across the country. In December 2023, total power consumption declined by 8-10%, driven by a decline in industrial and high-end domestic consumption that are the largest contributors towards power sector fixed cost. Similarly, power generation in November 2023 was down by around 9.8 percent year-on-year, while generation in January 2024 was again down 2.4 percent year-on-year.

Power consumption of APTMA members has been declining consistently since October 2023 when it was down 37% year-on-year. In December 2023 it again, declined by around 25% year-on-year. According to our calculations, the net impact of this on power sector revenue is negative because the positive effect of higher electricity prices is far outweighed by the negative effect caused by the volumetric decline in consumption. This is further evidenced by the fact that the circular debt has continued to grow despite significant tariff hikes.

Additionally, since industry and high-end domestic consumers are major contributors of power sector fixed cost, reduced power consumption on part of these consumers means that the fixed cost must be spread over a smaller pool of consumption and tariffs for all other consumer categories must be increased accordingly, as reflected by the Rs. 4.5/kWh QTA approved by NEPRA only a few days ago.

This will cause power consumption to decline even more, necessitating further hikes in power tariffs given how the system is designed and tariffs are structured. The country is stuck in a vicious cycle of declining consumption and increasing tariffs with no end in sight.

Moreover, while current capacity is not being fully utilized, partially because of poor infrastructure and partially because high power tariffs have caused a sharp decline in demand, we have around 7000 MW of new projects in the pipeline over the next two years which will require additional capacity payments even though existing capacity is not being utilized. The entire situation is wholly unsustainable, and we will soon have tariffs reaching Rs. 100/kWh but there will be no consumers willing to buy electricity.

A solution must be found before the entire sector collapses. Cross subsidies should be removed from industrial tariffs and tariffs should be restructured to encourage higher consumption. This will stimulate industrial activity and revive their power consumption, which will not only add to power sector revenue through a higher volumetric effect but also allow for a reduction in power tariffs of all consumers by reducing the burden of capacity payments.

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*Forwarded for favour of publication in your esteemed newspaper / transmission.*

**ASIF INAM**  
Chairman, APTMA