



# Pakistan's Energy Challenges: A Strategic Road Map

Pakistan's economy is largely dependent on the global energy market, particularly in terms of developments in the rest of the world. Recently, Middle East conflicts have disrupted the supply of oil and liquefied natural gas (LNG), which has created significant challenges for countries like Pakistan, heavily dependent on imported energy. Pakistan's biggest challenge is its dependence on imported oil and LNG. Therefore, any disruption in the supply chain results in serious repercussions for Pakistan's economy.

Compounding the situation, domestic fuel prices in Pakistan have been rising while the government faces significant pressure in managing the economy. One of the key factors exposing Pakistan to global energy supply fluctuations is its dependence on the Strait of Hormuz. It is a critical sea passage for shipment of oil and LNG; interruptions of this route could significantly affect Pakistan's energy supply. Notably, 20% and 25% of the world's LNG and oil respectively are shipped through the Strait of Hormuz, making it a critical chokepoint for the global energy market.

## Regional Pressures and Policy Response

Pakistan's economy is also affected by developments in various countries of the region. For instance, India and Bangladesh have been affected by the conflicts in the Middle East as well. This has prompted these two countries to manage their energy supplies more effectively.

Pakistan's government has taken measures to counter the energy crisis, including levying a tax on luxury fuels and limiting the amount of fuel that government officials are allowed to use. In addition, the government has urged people to use public transportation and save energy.

Nevertheless, despite such measures, Pakistan's energy crisis remains a challenge. In fact, the country's petrol prices have been on the rise for years and this has been a major source of economic pressure. More specifically, petrol prices in Pakistan have risen from around PKR 28 per litre in 2000 to over PKR 300 per litre at present.

## Impact of Rising Petrol Prices

The primary cause of this rise is Pakistan's dependence on imported oil; when global oil prices increase, it leads to significant economic challenges for the country. Although the government has come up with some measures like imposition of taxes and cuts in fuel consumption to cope with these problems, the issue remains significant.

Pakistan should adopt a sustainable perspective on the energy supply issue if it is to overcome these difficulties. This can be achieved by reducing dependency on imported oil and LNG

and developing renewable energy resources such as solar and wind power. Besides upgrading the energy infrastructure, including storage capacities and transport systems, the government should also focus on the energy sector with a view to making it efficient and productive.

## Long-Term Energy Planning and Reform

One of the key measures Pakistan can take is to diversify its energy

sources. This entails reducing the country's dependence on major suppliers such as Qatar and the UAE, and tapping into new sources of energy. Besides, the government may incentivize the development of domestic energy sources such as hydropower and coal. Additionally, raising the energy efficiency level of the country is a significant measure. This could be achieved by investing in energy-saving technologies and promoting behavioral change to reduce energy consumption. Besides, the government can strengthen its advocacy for public transport and make the use of fuel-efficient vehicles attractive to the masses. Obviously, the energy crisis in Pakistan is one of those issues that can only be resolved with a long-term plan.

The government must devise a holistic approach to energy supply management with a focus on investing in renewable energy, broadening the spectrum of energy sources, and improving energy efficiency. By reducing its imports of oil and LNG, Pakistan would be able to establish a sustainable energy system for the future. Pakistan's economy will always be susceptible to global developments, particularly in terms of energy. With a long-term plan in place for its energy supply management, the country would be in a better position to cope with external shocks and would also be able to chart a path to a more stable and sustainable economy.

The key to Pakistan's future lies in managing its energy supply in a sustainable and secure manner. This will require a lot of effort and investment. This is essential for the country's long-term prosperity. Pakistan needs to think about its energy strategy and ensure that it is taking every possible step to reduce its reliance on imported oil and LNG.



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The Government has a role to play in this. It needs to create policies that encourage the development of domestic energy sources and improve the country's energy efficiency. The government also needs to invest in technologies and encourage people to use less energy.

Pakistan's energy crisis is a challenge but it is not insurmountable. With the right approach and a long-term strategy, the country can create a more sustainable energy system and reduce its reliance on imported oil and LNG. This will require a lot of work and dedication but it is essential for Pakistan's economic future.

### Austerity Measures and Economic Stability

One of the major steps taken by the Government of Pakistan was rolling out a host of austerity measures aimed at saving fuel and cutting down public spending amid the global energy crisis. For instance, the government offices have been asked to work only four days a week. Besides this, school closures have also been introduced as a temporary measure, and universities have switched to online modes of teaching in order to cut down on fuel consumption related to transportation.

Moreover, the government made a drastic 50% cut in the fuel allowances given to vehicles used for official purposes and also grounded almost 60% of government vehicles for some time. Furthermore, earmarked spending controls included lawmakers' salaries being cut, cabinet members making voluntary salary sacrifices, limitation on foreign travel, and lowering non-essential government expenditures.

These measures reflect a responsible economic management and show that such initiatives, although difficult in the short term, lead to the overall economic development in the long run. Since these austerity measures help in minimizing unnecessary use of fuel and government spending, weathering external economic shocks, strengthening Pakistan's ability to manage effectively, controlling inflationary pressures, and stabilizing foreign exchange reserves are some of the resultant benefits which are achieved through the implementation of such measures.

### Strategic Way Forward

- 1) **Strategic Energy Reserves:** The establishment of petroleum and LNG reserves must be an immediate priority, involving the setting up of storage units capable of satisfying the nation's consumption requirements for at least 60 to 90 days. This would significantly lower the country's exposure to sudden shocks and make the energy system more stable in the long run.
- 2) **Energy Source Diversification:** Pakistan needs to diversify the way it sources energy by looking for more suppliers of oil and LNG and lessening dependency on just a few major suppliers. Policymakers might also consider promoting the production of hydropower and coal as additional energy sources alongside oil and LNG.
- 3) **Renewable Energy Expansion:** Accelerating the growth of renewable energy production in Pakistan, particularly solar, wind, and hydroelectric power, is a critical priority. These energy sources are not only clean and environmentally friendly but also sustainable, and could effectively help Pakistan reduce its dependence on imported oil and LNG.

- 4) **Domestic Energy Production:** Strengthening domestic energy production through investment in hydropower and coal, while improving energy infrastructure including storage facilities and transportation networks, will further support energy security.
- 5) **Energy Pricing Reform:** Reforming Pakistan's energy pricing mechanisms is essential. This means creating a system that is fair, sustainable, and encourages reduced energy consumption. The government can also introduce taxes on luxury fuels and reduce the amount of fuel allocated to government officials.
- 6) **Industrial Energy Efficiency:** Enhancing energy efficiency across various sectors requires motivating industries to not only consume less energy but also adopt more efficient technologies. The government could introduce incentives for energy-saving units and those actively reducing their carbon footprints.
- 7) **Public Transport and Energy Efficiency:** Improving Pakistan's public transport system and overall energy efficiency is equally important. This requires investing in modern technologies and promoting the adoption of fuel-efficient vehicles.
- 8) **Energy Demand Forecasting and Contract Management:** Strengthening Pakistan's ability to forecast energy demand and manage supplier contracts more efficiently is vital. Establishing a robust forecasting mechanism for domestic energy requirements, combined with offering incentives to suppliers delivering energy at competitive prices and with greater flexibility, would significantly enhance Pakistan's energy security.
- 9) **Regional Energy Cooperation:** Fostering regional energy collaboration is an important long-term dimension of Pakistan's energy strategy. This involves engaging with neighboring countries to establish joint energy systems, supported by cross-border pipelines and power exchange agreements.

### Conclusion

Ultimately, Pakistan's energy shortage cannot be tackled by piecemeal measures. To manage the country's energy resources effectively, the government must develop a comprehensive long-term plan. In addition to investing in the latest technology, it should also encourage society to conserve energy. Implementing these strategies will enable Pakistan to establish an environmentally sustainable energy network while reducing its dependency on imported oil and LNG.

**About the Author:** *Syed Immad Uddin Hussaini is an economic researcher and policy analyst with specialization in applied economics, trade policy, and data analysis. He currently serves as a Research Associate at the Ministry of Commerce, Government of Pakistan, and brings prior experience from FPCCI and ICMA Pakistan in economic research, market analysis, and policy reporting. Holding an MPhil in Applied Economics, he leverages analytical tools such as Excel and EViews to generate data-driven insights that support effective policymaking and sustainable economic growth.*