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## Revenue surplus expected to drop to PKR 4bn

As part of the IMF's conditions for the release of the USD 7bn tranche, Pakistan was required to terminate gas supplies to captive power producers (CPPs) by January 2025. This measure was intended to encourage a shift towards increased reliance on grid-based electricity consumption. However, following sustained efforts, the Economic Coordination Committee (ECC) succeeded in negotiating more favourable terms for CPPs.

Under the initial proposition, gas supply to the specified plants was to be discontinued by January 31st, 2025. However, the Government of Pakistan (GoP), while maintaining the gas supply for CPPs, has approved an increase in tariffs for CPPs, revising the rate from PKR 3,000/MMBTU (effective July 2024) to PKR 3,500/MMBTU (effective February 2025). All other categories, including domestic consumers, will remain unaffected by this tariff adjustment.

A total of 480 CPPs operate on the SNGPL network (54 MMCFD) and 800 on the SSGC network (118 MMCFD). With limited availability of capital, we anticipate minimal decline in demand in the short run. Additionally, the ECC has approved the imposition of a grid transition levy which penalises captive power, forcing the shift to grid power, thereby releasing the downward pressure on grid power consumption amid falling LSM index (-1.25% YoY) and transitions to solar power.

As per OGRA, the cumulative revenue requirement for both Sui companies amounts to PKR 974bn. Given the 17% increase in tariff for CPPs, the revenue surplus is expected to decline to a meagre PKR 4bn from an OGRA determined surplus of PKR 78.9bn for FY25 (-95% YoY).

While, the timely introduction of tariffs focused on discouraging captive consumption will incentivize grid demand, the system's ability to unwind circular debt position stands compromised till the grid transition levy is implemented.

Consumer Prices (PKR/MMBTU)	Nov'23	Feb'24	July '24	Feb '25
General industry (Captive)	2,500	2,750	3,000	3,500

Source: Company Accounts, Akseer Research

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## Contact Details



Akseer Research (Pvt) Limited  
1st Floor, Shaheen Chambers, KCHS block 7 & 8,  
off. Shahrah-e-Faisal  
T: +92-21-34320359 -60  
E: [info@akseerresearch.com](mailto:info@akseerresearch.com)



Alpha Capital (Pvt) Limited  
3rd Floor, Shaheen Chambers, A-4 Central Commercial Area,  
KCH Society, Block 7 & 8, Near Virtual University, Karachi  
T: +92-21-38694242  
E: [info@alphacapital.com.pk](mailto:info@alphacapital.com.pk)



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