Brass Tacks for Political Parties to Include Just Energy Transition Agenda in Manifestos

2023
Brass Tacks for Political Parties to Include Just Energy Transition Agenda in Manifestos

2023
1. TRANSITION TO CLEAN AND RENEWABLE ENERGY

1.1. Addressing Policy and Regulatory Uncertainty

Building investor confidence is the primary driver for rapid offtake of renewable energy in Pakistan. To bring consistency in regulatory and policy support for RE, the focus of party’s legislators will be to:

1. Establish open lines of communication for consistency and agreement with project developers, covering financial situations, renewable energy projects, power transmission, timely payments, penalties, and renewable energy benefits.

2. Create strict and transparent policies with clear targets for transitioning to renewable energy to attract investments and grants.

3. Develop a comprehensive plan of action for renewable energy involving provinces and covering regulatory and fiscal measures.


5. Ensure consistency in renewable energy targets across policies and initiatives, operating under a unified framework.

1.2. Integrated Energy Planning

For an inclusive energy planning process, there is a need to develop an integrated energy plan prescribing the whole energy value chain (from supply of all energy sources to energy consumption in all sectors and subsectors) with inputs from all key stakeholders. In this context the focus of party’s legislators will be to:

1. Develop a comprehensive plan considering energy, economy, and climate for informed decision-making by policymakers and businesses.

2. Establish accessible public repositories of energy and environmental data to keep stakeholders informed.

3. Collaborate with AEDB and other entities to promote renewable energy integration in agriculture, industries, water, and sanitation for sustainable solutions.

4. To Phase out coal in a manner that is more suitable for environmental sustainability and economic security through just energy transition partnerships and international collaboration in terms of climate and energy financing.

5. As per the spirit of 18th constitutional amendment, power should be devolved to provinces and local bodies in terms of regulatory mechanism of distributed generation and community grids.
1.3. Localization and Ind of Renewable Energy Technologies and Energy Storage options

To off-take local production and technological maturity within the country, the party will focus on the following:

1. Attract foreign investors for local renewable energy industry with technical expertise, local production, and financial support.
2. Give incentives for battery storage technologies in renewable energy projects to address variability.
3. Support clean energy startups with favorable environment and financing opportunities.
4. Promote knowledge and technology sharing through technology transfer units.
5. Set policy framework and standards for new renewable energy technologies, focusing on battery storage and hybrid projects.
6. Foster collaboration between academia and industry for better synergy.

1.4. Unlocking the private investments for RE development

Unlocking private sector investment is key to financing new renewable energy projects. However, low progress has been achieved due to limited recourse financing challenges, constrained margins in wind and solar tariffs, and lack of bankable studies. Unlocking this finance requires the work to:

1. Establish project readiness facilities for Global Climate Fund transactions through collaboration between Ministry of Finance, Ministry of Energy and Ministry of Climate Change.
2. Create concessional financing framework utilizing institutions like Pakistan Credit Guarantee Company (PCGC) or InfraZamin for renewable energy offtake.
3. Enhance credit availability and commercial bank involvement by prioritizing renewable energy as a key sector for commercial lending.

2. FAST TRACKING RURAL ENERGY ACCESS

2.1. Decentralized Energy Systems

With growing energy demand and existing issues in energy management, there is a need to transition from a centralized to decentralized power system through extensive use of mini & micro grids. This would also address the financial non-feasibility of extending national grid in far-fetched areas such as Balochistan. the focus of party’s legislators will be to:

1. Expand community-driven mini and micro grids in rural areas, leveraging successful models by organizations like PPAF and AKRSP.
2. Increase public-private partnerships for decentralized energy models to accelerate electrification.
3. Allocate additional subsidies in the budget to support off-grid financing in the clean energy sector, particularly in areas with limited access to the main power grid.

4. Develop Technical Assistance Programs in collaboration with provincial governments and the private sector to enhance capacity of community-based organizations (CBOs) in utilizing decentralized energy systems effectively.

5. Conduct comprehensive research to identify high-potential sites for mini hydro power projects (MHPPs) aligned with rural electrification plans.

### 2.2. Regional Energy Trade Programs

1. Enable electricity and clean cooking access in rural communities through regional cooperation, including regional solutions for on-grid and off-grid renewable energy, regional electricity trade, cross-border transmission lines, and regional power markets and exchanges.

2. Foster technology transfer through regional integration.

3. Generate climate financing by establishing Just Energy Transition Partnerships (JETPs) modeled after successful initiatives in Indonesia, South Africa, and other countries.

### 3. Economic Recovery of the Energy Sector

#### 3.1. Circular Debt Management

To control constantly growing circular debt, there is a need to develop a Management Plan (or improve upon the existing one) under ministry of energy. The party will focus on the following:

1. Crack down on electricity theft by imposing strict penalties and enhancing enforcement team capacity for maximum recoveries.

2. Implement targeted subsidy approach for electricity and petroleum products, providing subsidies directly to households based on consumption and socio-economic profiles.

3. Undertake institutional reforms in power distribution companies (DISCOs) through corporatization or unbundling to improve power sector subsidies.

4. Rationalize DISCOs in terms of service areas, promoting decentralization for better financial management.

### 4. Demand Side Management & Decarbonization of End-Use Sectors

#### 4.1. Energy Efficiency and Conservation in Building Sector

Given that a unit of energy saved is much cheaper than a unit of energy produced, energy efficiency must be rapidly taken in energy planning process of Pakistan. This mainly includes:

1. Implement energy efficiency standards and labelling schemes for major energy-consuming
Brass Tacks for Political Parties to Include Just Energy Transition Agenda in Manifestos

items in the building sector.

2. Ensure compliance with Pakistan’s building energy codes for all new buildings and housing societies.

3. Include provisions and demand management techniques to control air conditioning and cooling load during winters.

4. Implement time-of-use metering for better energy management.

5. Introduce electricity safety codes in addition to energy audits.

4.2. Energy Efficiency and Conservation in the Informal Industrial Sector

The major chunk of losses as well as emissions in the Industrial sector are coming from the informal SME sector which needs to be critically addressed through following:

1. Introduce incentivization scheme to encourage upgrading of industrial components.

2. Foster collaboration between NEECA, AEDB, and SMEDA to address challenges faced by industrial SMEs, with SMEDA categorizing businesses based on technology and processes.

3. Establish internal benchmarks and technical cells within industrial subsectors to assess current status and find technical solutions through collaboration with academia and R&D organizations.

4. Promote cooperation between AEDB and NEECA to incentivize SMEs towards solar solutions, emphasizing energy audits and optimization prior to investing in energy supply.

5. Collaborate with SBP to develop spatial guarantee mechanism for renewable financing to SMEs, ensuring enforcement of Green Banking Guidelines for soft credits from commercial banks.

6. Develop and implement support scheme for ESCOs to conduct investment-grade energy audits.

7. Mandate industries under NEECA’s Act 2016 to conserve energy, conduct energy audits, adopt Energy Management Systems (EnMS), and report on energy performance.

4.3. Decarbonization of the Transport Sector

1. Promote adoption of electric vehicles (EVs) through financial credit systems like favorable loans, tax reductions, lower import duties, and EV bonds.

2. Facilitate EV-related startups and streamline registration process for EV companies through a single online portal involving all stakeholders, encouraging joint ventures and international collaborations.
3. Explore the feasibilities to convert mass transits i.e., metro buses, orange line and BRT on EVs.

4. To probe the economic and environmental feasibility of ML1 and ML2 projects to be converted on electricity through distributed generation under the flagship CPEC banner.

### 4.4. Decarbonization of the Corporate Sector

With the increasing decarbonization trend across the global corporate sector, Pakistan must incorporate these practices in its processes. To mobilize this demand for the corporate sector, key interventions can be taken to:

1. Encourage corporate sector financing and demand for clean energy through policy tools like Carbon Taxation, Tax rebates, ESG reporting, carbon credits, and power wheeling mechanisms.
2. Establish national-level carbon emissions accounting system with guidelines for companies to evaluate and document their emissions.
3. Develop sector-specific greenhouse gas (GHG) inventories (e.g., Textile, Cement) to quantify emissions per unit of production.
4. Focus on capacity development for energy storage devices in the Industrial sector alongside renewable energy adoption to address future challenges like solar waste management.
5. Utilize voluntary carbon credit market to incentivize interventions reducing global GHG emissions, while promoting progress in energy efficiency (EE) and clean fuels.

### 4.5. Mobilizing Green/Climate finance to support low carbon development

1. Develop clear and transparent definition of ‘green or climate finance’ at national level, including definitions for financial tools like green bonds and debt swaps, through a task force of experts, policymakers, regulators, academia, and finance institutions.
2. Collaborate with SECP, SBP, PSX, commercial banks, and financial institutions to create guidelines for green or climate financing, mandating climate finance investments in fiscal plans and policies with deadlines and regulatory mechanisms. Integrate guidelines into projects like CPEC and Clean and Green Pakistan.
3. Formulate Sustainable Finance Framework for issuing green, social, and sustainability bonds, identifying suitable projects, learning from global best practices, and including provisions for third-party reviews.
4. Formulate national and provincial policies on carbon markets and carbon credits.
This document derives its recommendations from evidence-led policy research carried out by Sustainable Development Policy Institute (SDPI) in collaboration with Parliamentary SDGs Secretariat, under its “Clean Energy Transition Program”. The proposed actions in both short and long-run are also based on extensive research and stakeholder consultations with public sector, private sector, civil society, academia, and international experts around energy and climate action of Pakistan.