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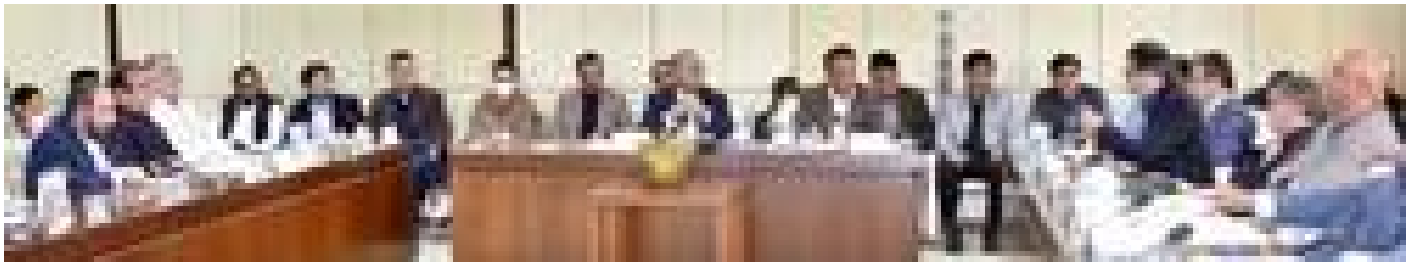
NEWS

# Govt working to reduce taxes on electricity bills

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Senate Standing Committee on Power reviews ongoing negotiations with IPPS

BLOGS



**Fawad Yousafzai**

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ISLAMABAD - A parliamentary panel was informed on Monday that the government is working to reduce taxes on electricity bills and will raise the

HISTORY

matter in this regard with the International Monetary Fund (IMF) next month.

The Senate Standing Committee on Power that met with Senator Mohsin Aziz in chair was told by Special Assistant to Prime Minister on Power Muhammad Ali that the government has not pressurized or coerced any IPP for revising contracts, however, warned that any IPP that refuses to negotiate would face a forensic audit

The committee that met here with Senator Mohsin Aziz in the chair reviewed ongoing negotiations with IPPS, forensic audits, and the government's privatization strategy for power distribution companies.

Muhammad Ali said that the government had terminated contracts with six IPPs, while others have been agreed for rupee-based returns and hybrid take and pay basis.

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He said that earlier, the government was paying between Rs70 billion and Rs80 billion annually for these power plants, with Hubco alone receiving Rs30 billion per year.

Senator Shibli Faraz asked that there have been rumours of arm twisting with the power producers while renegotiating the contracts with IPPs? SAPM Muhammad Ali while refuting the allegation stated that fault lines of power producers were highlighted during the negotiations.



We are currently working on RLNG-based, gas-based, and other power generation companies owned by the federal and provincial governments. Discussions are also underway with 45 renewable energy plants, including wind and solar, ensuring no impact on their lenders, Ali said. Senator Shibli

Faraz asked why no forensic audit had been conducted on IPPs despite billions being paid to them. IPPs have extracted massive sums through fuel inefficiencies and deceptive efficiency claims, he added.

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While acknowledging the concern of Shibli Faraz, SAPM said that Pakistan lacks the expertise to conduct forensic audits for 50 to 60 power plants. “Conducting a forensic audit requires significant financial resources, and in 2020, we have asked Rs22 million for conducting the audit and that too were not allocated,” Ali added.

However, he revealed that a forensic audit is currently underway for one plant that refused to negotiate with the government. Moving forward, any IPP that does not engage in negotiations will be subjected to a forensic audit, the SAPM warned.

Federal Minister for Power Awaiz Leghari, said that ongoing negotiations with IPPs are expected to save Rs1.4 trillion.

Secretary Power Division informed the committee that the government plans to privatize three power distribution companies: IESCO, GEPCO, and FESCO, while HESCO, SEPCO, and PESCO would be offered under long-term concession agreements. Secretary Power Dr Fakhre Alam Irfan further informed that the government is working to reduce taxes on electricity but are required the prior approval from the International Monetary Fund (IMF). “Our discussions with the IMF are scheduled for the first or second week of March,” Dr Fakhre Alam Irfan added.



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Senator Mohsin Aziz remarked that relief has not been trickled down to consumers despite all the positive outputs of IPPs negotiations. Federal Minister for Power said that since June 2024 the government has reduced electricity cost around Rs4 per unit for domestic consumers and Rs11.5 to 12 for industrial sectors. It is hoped that the cost of electricity will further lower down in future as negotiations with other IPPs will conclude. The minister assured that more significant reductions in power tariffs are expected in the future.

Responding to Mohsin Aziz concern, Muhammad Ali said that as negotiations with IPPs conclude, the benefits will gradually be transferred to consumers. He also disclosed that talks have begun with 45 state-owned power plants. He said that the government has fixed the return of 17 per cent for Power Plants against the unprecedented return of 35 pc in the last decades. SAPM said that the government has recovered Rs35 billion from the Power Plants which have been paid by federal government in lieu of fuel. Additionally, the government has initiated negotiations on 45 renewable plants to reduce the profit margin on the said plants at sustainable rates. He further highlighted that the government intends to make an entity named as ISMO for comparative markets in order to make power sector sustainable for the future.

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SAPM also underscored that the government is negotiating to relinquish the interest on the circular debt and formulate a structure for the payment of stock circular debt in the coming five to seven years.

During the meeting, the committee discussed implementation status of the recommendations contained in the Report of the Special Committee of the Senate on Circular Debt, authored by Senator Syed Shibli Faraz in 2018, when he served as the Convener of the Committee. Officials of Power Division apprised that the major portion of recommendations has been implemented and the government is working on the recommendation of ‘Simplification of Tax’.

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**Fawad Yousafzai**



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