Pakistan Power Sector

Aug’26: Power demand shows strong recovery; Higher FCA persists

21-Sep-2026

REP-300

Best Broker: ’25
Best Bank for Research:’25
Best Investment Bank for M&A: ’25
Best for Research: ‘24
Best for Diversity & Inclusion: ‘24
Best Investment Bank: ’23

Best Corporate Finance House: ‘25, ’23-‘13
Best Brokerage House: ’23 – ’21
Best Brokerage House (Runner-up): ’25–‘24
Best Economic Research House: ’23–‘21
Best Economic Research House (Runner-up): ’25–‘24

Best Broker:’26
Best Equity Capital Market House:’26
Best Investment Bank:’26

Best Gender Equality Bond: ‘24
Best Equity Advisor: ‘21

Best Securities House: ‘23
Best Investment Bank: ’23

Best Brokerage House: 2023

Top 25 Companies (‘17-’19)

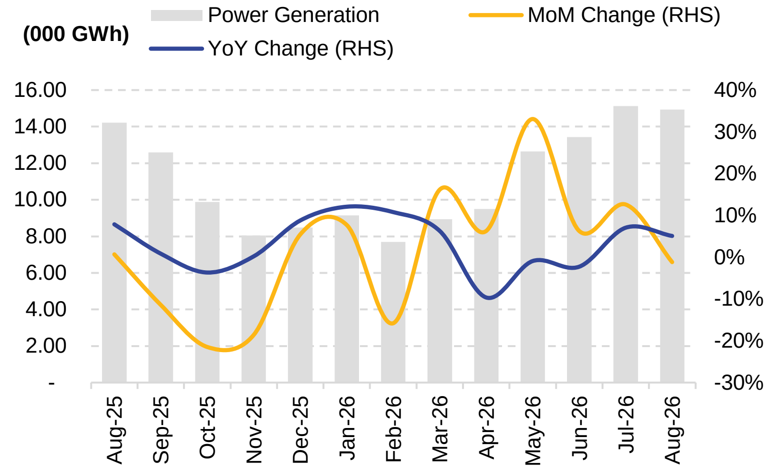
Excellence Award Leading Brokerage House for RDA ’21

Zayan Babar Khan
UAN: (021) 3828 0264
zayan.babar@arifhabibltd.com

Pakistan Power Sector
Aug'26: Power generation up 5.1% YoY

- Power demand showed a meaningful recovery in Aug'26, rising 5.1% YoY to 14,943 MW, and standing 1.4% above the seven-year Aug average. While still below the 16,176 MW peak recorded in Aug'21, the rebound is encouraging for power-sector activity and broader economic growth.
- Power generation exceeded the NEPRA reference, in our view, aided by lower tariffs, shift of industrial consumers to the national grid, incremental consumption package for industrial and agricultural consumers and improved economic activity (LSM up 3.0% YoY in Jul'26). Generation exceeding the reference level also bodes well for future QTAs.
- Adjusted fuel cost in Aug'26 stood at PKR 8.83/KWh, higher than the reference cost of PKR 7.10/KWh. Consequently, DISCOs have sought a positive FCA of PKR 1.73/kWh for Aug'26, driven by higher RLNG and furnace oil mix, while higher oil prices further increased costs.
- FO-based generation surged 49% MoM to 321 GWh in Aug'26 due to RLNG disruptions and higher summer demand. However, NPL, NCPL, and NEL are expected to see significant utilization, supporting earnings for companies operating under the hybrid take and pay regime.
- LNG-based power generation declined 51.7% YoY to 1,052 GWh in Aug'26, reflecting a sharp reduction in LNG imports amid geopolitical disruptions. Of the seven long-term cargoes originally scheduled for the month, only one cargo was imported by PSO under its long-term contract at 13.37%. However, higher international oil prices increased the overall cost of the cargo, pushing RLNG fuel cost to PKR 45.93/kWh, the second-highest level on record, and contributing to the higher FCA.

Figure: Monthly Trend of Power Generation



Source (s): NEPRA, AHL Research

Aug’26: Cost of power generation up 37.6% YoY

- Notably, RLNG and FO together accounted for 42% of the unadjusted fuel cost, contributing PKR 3.23/KWh and PKR 0.97/KWh, respectively, out of the total PKR 10.01/KWh.
- Hydel generation surged to 5,654 GWh in Aug’26, up 2.5% YoY and 17% above the long-term August average of 4,846 GWh, marking the second highest August output ever. The sustained improvement in hydel generation, supported by stronger water availability, is increasingly strengthening the low-cost generation mix, providing some relief to overall generation costs and FCA.
- Coal-based generation reached 3,956 GWh in Aug’26, up 53% YoY and the highest level for any Aug, driven by a sharp 105% YoY increase in imported-coal generation to 2,330 GWh, while local coal generation rose 13% YoY to 1,626 GWh. The surge in coal generation reflects a continued shift toward coal-based generation amid reduced RLNG availability and elevated LNG costs while higher power demand, with imported coal alone accounting for 16% of total coal generation in Aug’26. This increasing reliance on coal, alongside robust hydel output, helped offset expensive thermal generation.
- Generation trends from Dec’25 to Mar’26 indicated improving grid stability, supported by a PKR 4/kWh reduction in industrial tariffs, targeted incentive packages, and higher levies on captive gas consumption. While softer demand in 4QFY26 posed a near-term risk to this momentum, the rebound in Jul’26 and Aug’26 generation is encouraging, offering a positive signal for the power sector and broader economic activity. NEPRA currently projects power demand growth of 1.0% YoY for CY26.

Exhibit: Source Wise Share

	Aug-26	Aug-25	Jul-26
Hydel	38%	39%	40%
Coal (Local)	11%	10%	11%
Coal (Imported)	16%	8%	14%
HSD	1%	0%	0%
RFO	2%	1%	1%
RLNG	7%	15%	11%
Gas	9%	7%	7%
Nuclear	10%	15%	10%
Wind	6%	4%	5%
Solar	1%	1%	1%
Others	1%	0%	1%
Total	**100%**	**100%**	**100%**

Source (s): NEPRA, AHL Research

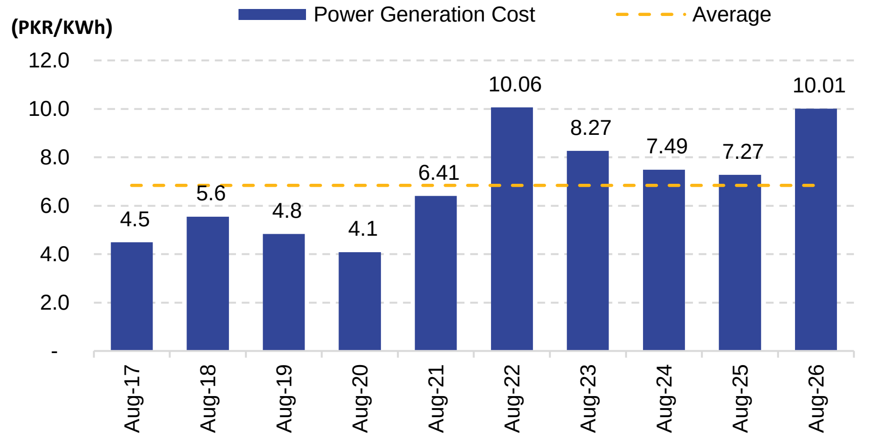
Pakistan Power Sector
Aug'26: Power generation up 5.1% YoY

Exhibit: Source wise Power Generation

GWh	Aug-26	Aug-25	YoY	Jul-26	MoM
Hydel	5,654	5,517	2%	6,019	-6%
Coal (Local)	1,626	1,442	13%	1,650	-1%
Coal (Imported)	2,330	1,138	105%	2,169	7%
HSD	80	-	n.m	31	158%
RFO	321	92	249%	215	49%
RLNG	1,052	2,180	-52%	1,629	-35%
Gas	1,311	1,035	27%	990	32%
Nuclear	1,528	2,145	-29%	1,527	0%
Wind	833	512	63%	682	22%
Solar	112	104	8%	106	6%
Others	96	53	81%	104	-8%
Total	**14,943**	**14,218**	**5%**	**15,122**	**-1%**

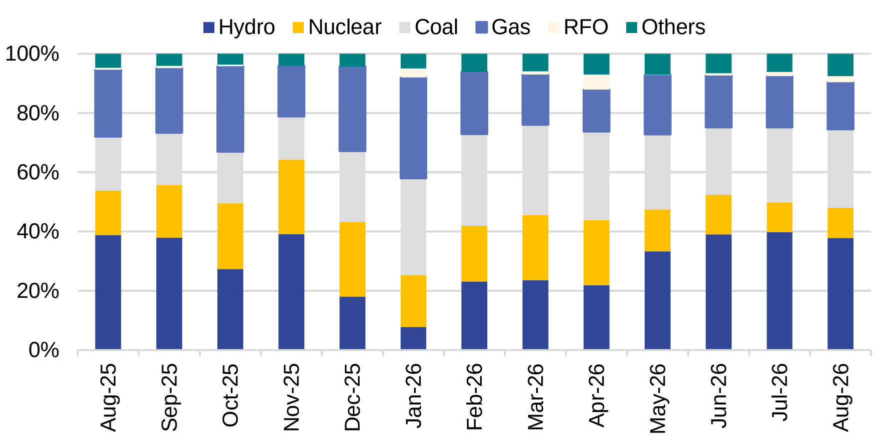
Source (s): NEPRA, AHL Research, *PKR/KWh

Figure: Historical trend of fuel cost during August



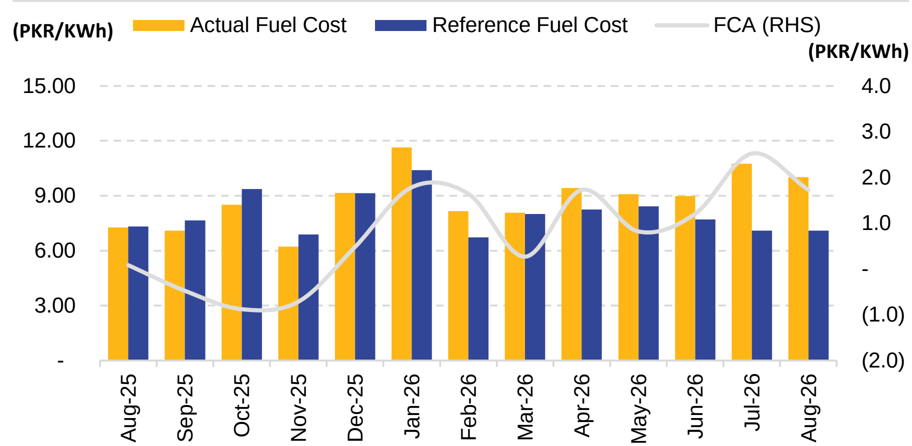
Source (s): NEPRA, AHL Research

Figure: Historical trend of source wise share



Source (s): NEPRA, AHL Research

Figure: Historical trend of fuel cost and FCA



Source (s): NEPRA, AHL Research

Analyst Certification and Disclaimer

ARIF HABIB LIMITED

Analyst Certification: The research analyst(s) is (are) principally responsible for preparation of this report. The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security (ies) or sector (or economy), and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. In addition, we currently do not have any interest (financial or otherwise) in the subject security (ies). Furthermore, compensation of the Analyst(s) is not determined nor based on any other service(s) that AHL is offering. Analyst(s) are not subject to the supervision or control of any employee of AHL's non-research departments, and no personal engaged in providing non-research services have any influence or control over the compensatory evaluation of the Analyst(s).

Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2026 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -5% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -5% from last closing of market price(s)

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks: The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

Disclaimer: This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.