Pakistan Power Sector

4MFY27: Power demand up 6.3% YoY

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REP-300

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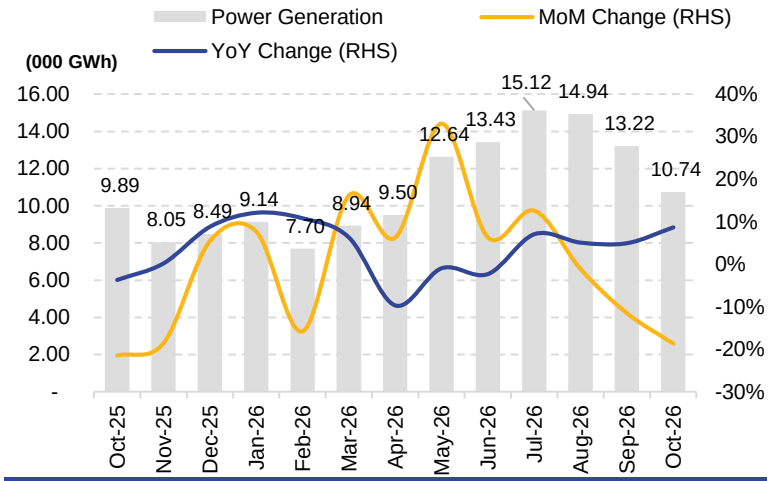
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Pakistan Power Sector
Oct'26: Power generation up 8.7% YoY

- Power demand showed a meaningful recovery in Oct'26, rising 8.7% YoY to 10,744 GWh, and standing 3.4% above the seven-year Oct average. While still below the 11,296 GWh peak recorded in Oct'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 1.9% YoY in 2MFY27). Generation exceeding the reference level also bodes well for future QTAs.
- Adjusted fuel cost in Oct'26 stood at PKR 10.75/KWh, higher than the reference cost of PKR 7.87/KWh. Consequently, DISCOs have sought a positive FCA of PKR 2.88/kWh for Oct'26, driven by higher HSD and furnace oil mix, while higher oil prices further increased costs.
- FO-based generation remained elevated at 351 GWh in Oct'26, driven by RLNG supply disruptions and higher demand. Similarly, HSD-based generation reached 198 GWh. The elevated reliance on FO is expected to support utilization and earnings of NPL, NCPL, and NEL, particularly under the hybrid take-or-pay regime.
- LNG-based power generation declined 61.2% YoY to 757 GWh in Oct'26, reflecting a sharp reduction in LNG imports amid geopolitical disruptions. Of the six long-term cargoes originally scheduled for the month, only two cargo was imported by PSO under its long-term. However, higher international oil prices increased the overall cost of the cargo, pushing RLNG fuel cost to PKR 28.74/kWh.

Figure: Monthly Trend of Power Generation



Source (s): NEPRA, AHL Research

Pakistan Power Sector
Oct'26: Cost of power generation up 24.9% YoY

- Notably, RLNG, HSD and FO together accounted for 45.4% of the unadjusted fuel cost, contributing PKR 2.02/KWh, PKR 1.28/KWh and PKR 1.52/KWh, respectively, out of the total PKR 10.63/KWh.
- Hydel generation improved to 2,818 GWh in Oct'26, up 4.2% YoY, equivalent to longt term October average. 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 2,929 GWh in Oct'26, up 69.6% YoY and the highest level for any Oct, driven by a sharp 237% YoY increase in imported-coal generation to 1,569 GWh, while local coal generation rose 7.9% YoY to 1,360 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 27.3% of total coal generation in Oct'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 4MFY27 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 and 2.6% as base case for CY27.

Exhibit: Source Wise Share

	Oct-26	Oct-25	Sep-26
Hydel	26%	27%	37%
Coal (Local)	13%	13%	10%
Coal (Imported)	15%	5%	16%
HSD	2%	0%	2%
RFO	3%	0%	2%
RLNG	7%	20%	6%
Gas	10%	9%	8%
Nuclear	19%	22%	14%
Wind	3%	2%	4%
Solar	1%	1%	1%
Others	1%	1%	1%
Total	**100%**	**100%**	**100%**

Source (s): NEPRA, AHL Research

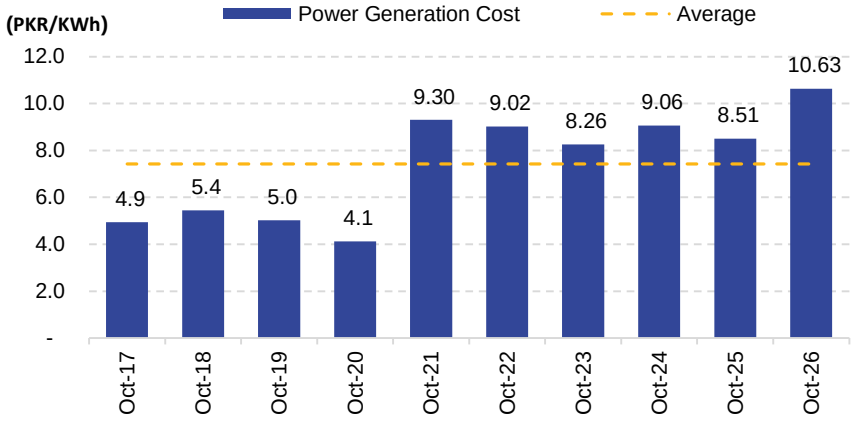
Pakistan Power Sector
Oct'26: Power generation up 8.7% YoY

Exhibit: Source wise Power Generation

GWh	Oct-26	Oct-25	YoY	Sep-26	MoM
Hydel	2,818	2,705	4%	4,834	-42%
Coal (Local)	1,360	1,261	8%	1,327	2%
Coal (Imported)	1,569	466	237%	2,155	-27%
HSD	198	-	n.m	213	-7%
RFO	351	48	631%	263	33%
RLNG	757	1,949	-61%	804	-6%
Gas	1,090	905	20%	1,066	2%
Nuclear	2,090	2,188	-4%	1,893	10%
Wind	316	185	71%	464	-32%
Solar	99	96	3%	108	-8%
Others	96	83	16%	90	7%
Total	**10,744**	**9,886**	**9%**	**13,217**	**-19%**

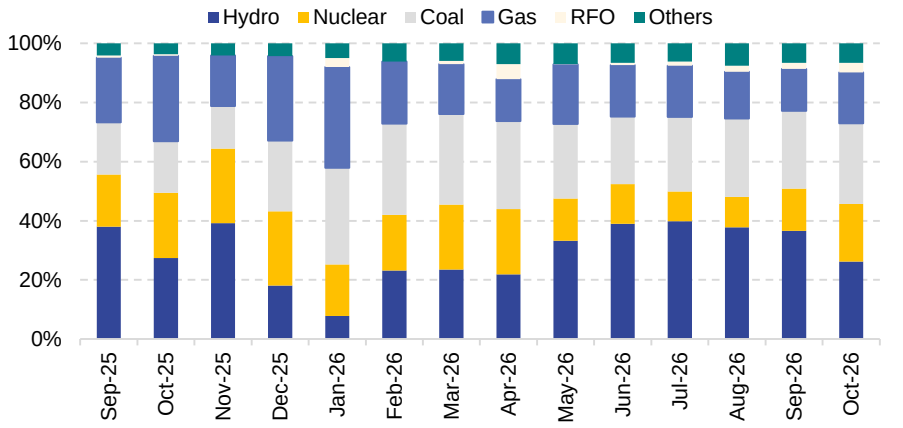
Source (s): NEPRA, AHL Research, *PKR/KWh

Figure: Historical trend of fuel cost during October



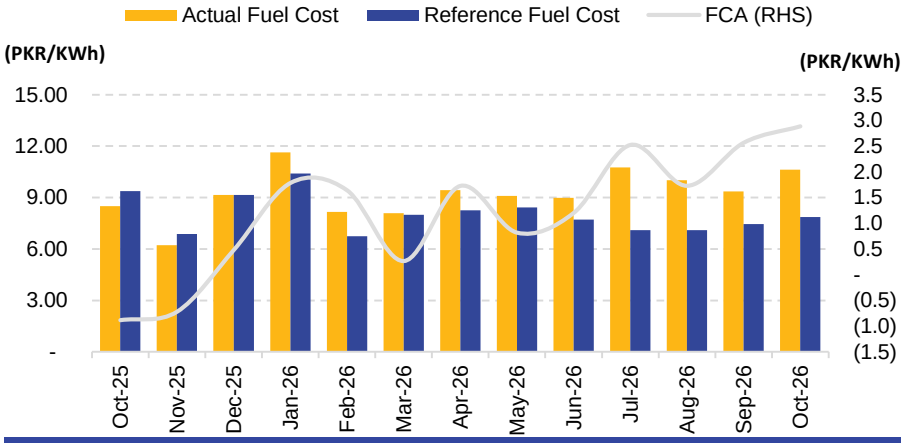
Source (s): NEPRA, AHL Research

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

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