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The Gas-to-Power Debt Swap Financial Feasibility for IPPs



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Abstract

The present research explores the financial viability of the Gas-to-Power Debt Swap procedure IPPs in Pakistan amid the ongoing circular debt situation in the nation.

Pakistan's energy industry has been grappling with acute financial and logistical obstacles, driven by billing delays, escalating gas debts, ineffective billing recoveries alongside mounting financing expenses. Such problems have seriously impacted the economic viability of IPPs alongside diminished confidence among investors in the power industry. The main objective of this study is to assess the impact of Gas-to-Power Debt Swap procedure on the the financial stability, reliability alongside broader financial resilience of IPPs working in Pakistan. This investigation implements a positivist research methodology, a descriptive inquiry method alongside descriptive as well as explanatory frameworks. Secondary data have been gathered from annual filings containing chosen IPPs, NEPRA publications, SBP energy appraisals, IMF articles, World Bank assessments plus other institutional policy documents issued during the period 2015-2025. The results show that circular debt alongside gas defaults have significant adverse effects on the economic viability of the IPPs while the borrowing swapping process has substantial beneficial effect on the economic viability alongside operational efficiency. All IPPs have enhanced their cash flow indices significantly after borrowing exchange and all companies have boosted their Return on Assets. Likewise the proportion of debt to equity decreased with the introduction of the debt swapped procedure, demonstrating better fiscal health and less the use of money. The trend assessment shows that circular debt kept on increasing across 2015 alongside 2025 and then started to come down gradually in 2025 due to policy adjustments and refinancing efforts. The results of the model additionally show that the debt exchange approach substantially improves fiscal adequacy, while circular debt alongside gas loans deteriorate the economic state of IPPs.

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