

ORDINANCE NO. I OF 2025

AN
ORDINANCE

to impose an off the grid levy on natural gas based captive power plants

WHEREAS it is expedient to provide for the validation, imposition and collection of the off the grid levy for consumption of natural gas by captive power plants for the purposes hereinafter appearing;

AND WHEREAS the Senate and the National Assembly and they are not in session and the President of Islamic Republic of Pakistan is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in exercise of the powers conferred by clause (1) of Article 89 of the Constitution of the Islamic Republic of Pakistan, the President is pleased to make and promulgate the following Ordinance:-

1. **Short title and commencement.**— (1) This Ordinance shall be called as the off the Grid (Captive Power Plants) Levy Ordinance, 2025.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

2. **Definitions.**— In this Ordinance, unless there is anything repugnant in the subject or context,—

(a) “agent” means an entity specified in the Schedule;

(b) “bulk-power consumer” means a consumer as defined in section 2 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997);

(c) “captive power plant” means an industrial undertaking or unit carrying out the activity of power production (with or without co-generation) for self-consumption or for sale of surplus power to a distribution company or a bulk-power consumer;

(d) “distribution company” means a distribution company as defined in section 2 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997);

(e) “levy” means an off the grid levy chargeable from natural gas or RLNG based captive power plants under section 3 of this Ordinance;

(f) “LNG” means liquefied natural gas;

- (g) "natural gas" means hydrocarbons or mixture of hydrocarbons and other gases which at sixty degrees Fahrenheit and atmospheric pressure are in the gaseous state (including gas from gas wells, gas produced with crude oil and residue gas and products resulting from the processing of gas) consisting primarily of methane, together with any other substance produced with such hydrocarbons;
- (h) "NEPRA" means the National Power Electric Regulatory Authority established under section 3 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997;
- (i) "prescribed" means prescribed by rules;
- (j) "RLNG" means re-gasified LNG;
- (k) "rules" means rules made under this Ordinance;
- (l) "Schedule" means a Schedule to this Ordinance; and
- (m) "self-power generation cost" means the power generation cost of the captive power plant at the Oil and Gas Regulatory Authority's (OGRA) notified tariff.

3. **Imposition and collection of levy.**— (1) Subject to section 4, every captive power plant shall pay to the Federal Government a levy on consumption of natural gas or RLNG, over and above the sale price notified under section 8 and section 43B of the Oil and Gas Regulatory Authority Ordinance, 2002 (XVII of 2002), at such rate as notified by the Federal Government in the official Gazette, from time to time;

(2) The agent shall be responsible for billing of levy to captive power plants, its collection and onward payment to the Federal Government in the manner as may be prescribed.

4. **Calculation of rate of levy.**— Before notifying the levy under sub-section(1) of section 3, the divisions concerned under the Rules of Business, 1973 shall calculate the rate of levy by taking into account the difference of power tariff of industrial B3 category, notified by NEPRA, and the self-power generation cost of the captive power plant at the gas tariff notified by OGRA:

Provided that the rate of levy shall be increased by five percent immediately and further increased to ten percent by July, 2025, fifteen percent by February, 2026 and twenty percent by August, 2026.

5. **Utilization of levy.**— (1) The levy shall be utilized by the Federal Government for reduction of power generation tariff for all consumer categories of the power sector.

2. An annual report in respect of the utilization of the levy shall be laid before both the Houses of *Majlis-e-Shoora* (Parliament) after three months from the end of each fiscal year.

6. **An Consequences for non-payment of levy.**— (1) If the amount of levy is not paid within the specified time by the captive power plant, the same shall be recoverable under sub-section (2) and in case of persistent default in payment, the agent shall terminate the gas supplies to the defaulted captive power plant.

(2) The amount of levy due but not paid within the time allowed shall be recoverable under the provisions of the Public Finance Management Act, 2019.

7. **Allowance to be made for levy for purposes of Income tax.** — The levy paid by a captive power plant shall be an expenditure for which allowance is to be made under the Income Tax Ordinance, 2001 (XLIX of 2001) in computing its profits or gains.

8. **Power to make rules.**— (1) The Federal Government may, by notification in the official Gazette, make rules to carrying out the purposes of this Ordinance.

9. **Power to amend the Schedule.**— The Federal Government may, by notification in the official Gazette, make such amendments in the Schedule as it deems fit.

10. **Removal of difficulties.**— If any difficulty arises in giving effect to the provisions of this Ordinance, the President may make an order, not inconsistent with the provisions of this Ordinance, to remove the difficulty.

SCHEDULE

[see section 2(a)]

1. Sui Northern Gas Pipelines Limited.
2. Sui Southern Gas Company Limited.
3. Any other company engaged in sale of gas to captive power plants as may be notified in the official Gazette.

STATEMENT OF OBJECTS AND REASONS

Whereas it was expedient to promulgate an Ordinance with the name of "Off the Grid (Captive Power Plants) Levy Ordinance, 2025" for the imposition of levy on the industry (captive power) with the objective to increase the demand for electricity, utilization of excess / unused capacity and to avoid pressure on power sector liquidity eventually encouraging the transition of gas / RLNG based industry (captive power) to the power grid. The collection of levy will be utilized to lower the tariff for the power consumers

2. The President of Islamic Republic of Pakistan, in exercise of the powers conferred by clause (1) of Article 89 of the Constitution of Islamic Republic of Pakistan, has been pleased to make and promulgate the Off the Grid (Captive Power Plants) Levy Ordinance, 2025". The Ordinance has been published in the Gazette of Pakistan on 31st January, 2025.

3. Federal Government, in exercise of power conferred by clause (2)(a)(ii) of Article 89 of the Constitution of Islamic Republic of Pakistan, has laid the said Ordinance titled "Off the Grid (Captive Power Plants) Levy Ordinance, 2025" to perform the functions assigned to it as provided in the Ordinance.


(Mr. Ali Pervaiz Malik)

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