

QUARTERLY

# ASIA INVESTMENT RESEARCH



**AIR**

## ***PAKISTAN***

- Increasing and Diversifying Inbound Investment Flows
- While China Helps Propel Rapid Energy Transition



# Overview – Macro Level

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- Over the past decade, greater China has led net FDI/inbound investment into Pakistan, driven by CPEC
- However, over the past year, other countries, led by the GCC, have made a number of pledges commencing in 2024 which will significantly bolster and diversify sources of FDI
- This short presentation begins with:
  - Fiscal year 2024 and Q1 2025 FDI increases
  - Outlines the major G2G investment pledges post 2024 YE
  - Sets out announced transactions/investments since YE 2024
  - Incorporates enhanced flows from EU and Asian countries
- The final section is on Pakistan's incredibly rapid renewable transition in solar power – led by China – the world leader
- We close with some solar issues still to be addressed including, grid, BESS and enhanced nuclear – especially thorium

# Overview – Macro Level

## *Net FDI (Fiscal Year Ending)*

	2023	2024	% Change
Totals (\$bn)	\$1.62	\$1.90	17

By Country (\$mn)			
China	692	568	(18)
Hong Kong	250	359	44
UK	268	268	0
USA	–	137	TBD
Singapore	–	100	TBD

By Sector			
Power	899	800	(11)
Oil & gas	137	304	122
Financials	276	208	(25)
Mining	-220	103	NM

Source: State Bank of Pakistan

# Overview – Macro Level

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## Q1 2025

- In fiscal Q1 2025, Pakistan saw \$771 million FDI, up 48% from \$520 million in Q1 2024
- China led with \$404 million (52% of the total), an increase of 146% from the \$164 million in fiscal Q1 2024
- Hong Kong invested \$98 million, up 46% from \$67 million in Q1 2024
- UK and USA represented \$72 million and \$28 million respectively
- GCC minimal – Saudi Arabia with \$1.8 million; the UAE \$25 million

These numbers represent closed transactions –  
not announced transactions, hence a lag in timing

# G2G Investment Pledges

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## *Q1 2025 Onwards*

### *October*

- **Malaysia** – the two countries signed 4 MoUs; exporting Pakistan meat products, halal trade, establishing a new VC fund (to fund future VC growth) and funding growth in textiles
- **Saudi Arabia** (12<sup>th</sup>) – the two countries signed 27 MoUs pledging investments exceeding \$2.2 billion into energy, agriculture, IT, health, education and mining (also semiconductor manufacturing and human resources)
- **Saudi Arabia** (31<sup>st</sup>) – signed 7 more MoUs totalling \$600 million (now totalling 34 MoUs with \$2.8 billion). Also discussed bilateral cooperation in trade, finance, agriculture, technology, and skilled labour among other sectors

In late May (prior fiscal year), Pakistan and Kuwait signed MoUs for investments into pharma, engineering and automotive; as well as Pakistan contributing health care staff to Kuwait

# G2G Investment Pledges

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## *Q1 2025 Onwards*

### *November*

- **Qatar** – Pledged an additional \$3 billion investment in trade and culture. Earlier in 2024 Qatar pledged \$3 billion for investment into the energy, infrastructure and finance sectors
- **Italy** – Signalled a significant investment interest in Pakistan's dairy and agricultural sectors – particularly focussed on the Punjab province

# Announced Investments/Transactions

## Q1 2025 Onwards

Date	Target Name	Country	Segment	Investor / Acquirors	Country	Acquired (%)	Amt (\$m)
02/01/25	Gwadar Int. Airport	Pakistan	Logistics <sup>(1)</sup>	China	China	ND	240.0
22/12/24	ADM Pakistan Plant	Pakistan	EV, Chargers <sup>(2)</sup>	ADM Group	China	100	350.0
20/12	Gwadar Infra (CPEC)	Pakistan	Transportation <sup>(3)</sup>	TBD	China	ND	ND
13/12	InfraZamin Pakistan	Pakistan	Solar Power Project Financing <sup>(4)</sup>	Saudi Pak Industrial	KSA	ND	3.8
05/12	Engro Corp	Pakistan	Infrastructure Assets <sup>(5)</sup>	VEON	UAE	50	563.0
28/11	Pakistan Minerals PVT	Pakistan	Reko Diq Mining <sup>(6)</sup>	PIF	KSA	15	570.0
01/11	GO	Pakistan	Branded Retail Fuel Station <sup>(7)</sup>	Aramco	KSA	40	ND
27/09	Fatima Euricom Rice Mills	Pakistan	Rice / Agriculture <sup>(8)</sup>	Euricom SPA	Italy	50	ND
09/08	Total PARCO Pak (TotalEnergies)	Pakistan	Retail Service Stations <sup>(9)</sup>	Gunvor Group	Switzerland	50	ND

Footnotes:

1) TBD on 02 Jan

2) ADM Group announced an investment of \$350 million in Pakistan's EV sector to include 3,000 EV charging stations; 1,000 in Sindh, 1,500 in Punjab, and 750 in Khyber Pakhtunkhwa and Balochistan provinces.

<https://www.arabnews.com/node/2583911/pakistan>

3) Both countries agreed on the construction of an expressway connecting Gwadar to the new Gwadar International Airport. Additionally, feasibility studies for new motorways, including the Mirpur-Muzaffarabad and Karachi-Hyderabad routes, to be initiated at the earliest. <https://thediplomaticinsight.com/road-connecting-gwadar-port-to-airport/>

4) Landmark transaction to provide an 11.5-year Distributed Solar Financing Facility to Acumen Energy. The Facility will be backed by a PKR 1.04bn credit guarantee to Saudi Pak and will mark InfraZamin's first foray into renewable energy. <https://www.biztoday.news/2024/12/13/infrazamin-saudi-pak-and-agricultural-investment-sign-pkr-1-28b-renewable-energy-deal-with-acumen-energy/>

5) As part of the partnership, Engro will pay Jazz (VEON) circa \$188 million and guarantee repayment of Deodar's intercompany debt of \$375 million. <https://www.veon.com/newsroom/press-releases/veon-and-engro-corp-announce-strategic-partnership-for-telecommunications-infrastructure>

6) Pakistan has formed a high-level negotiation committee for the sale of a 15% stake in the \$5.8 billion Reko Diq copper and gold mining project to PIF. Amount based on \$2.8 billion equity plus \$150 incremental infrastructure investment. <https://profit.pakistantoday.com.pk/2024/11/26/pakistan-forms-committee-to-negotiate-15-reko-diq-stake-sale-to-saudi-arabia/>

7) Aramco launched its first branded retail fuel station in Lahore following its recent acquisition of a 40% stake in Gas & Oil Pakistan Ltd. (GO). With over 1,200 fuel stations nationwide, GO and Aramco aim to expand their footprint. <https://www.mobilityplaza.org/news/39368>

8) Euricom is renowned for its expertise in farming, processing, and trading of rice products. Fatima Euricom Rice Mills is a leader in paddy rice procurement and processing, enhancing links between the two countries in agriculture <https://www.dawn.com/news/1861423>

9) Gunvor Group signed an agreement to purchase TotalEnergies' 50% stake in Total PARCO Pakistan Limited (TPPL) a JV between TotalEnergies Marketing and Services and PARCO in with a retail network of more than 800 service stations, fuel logistics, and lubricants <https://gunvorgroup.com/news/gunvor-acquires-totalenergies-shares-in-total-parco-in-pakistan/>

# Not Specified/Under Consideration

## Q1 2025 Onwards

Date	Target Name	Country	Segment	Investor / Acquirors	Country	Acquired (%)	Amt (\$m)
22/12	Asra Derma	Pakistan	Healthcare <sup>(1)</sup>	Biota Labs	Turkey	TBD	TBD
21/12	Board of Investment	Pakistan	B2B Agreements <sup>(2)</sup>	Chinese Businesses	China	ND	70.0
14/12	Karachi Medical City	Pakistan	Healthcare <sup>(3)</sup>	35 Chinese Businesses	China	TBD	1,000.0
11/11	Pakistan Government	Pakistan	Transportation, Logistics <sup>(4)</sup>	AD Ports Group	UAE	TBD	TBD
28/09	Pakistan Industry	Pakistan	Multi Sectors	25 Major Chinese Companies	China	TBD	TBD

### Footnotes:

- 1) An investment/partnership with Biota Labs and Asra Derma will make quality medicine available to the public in the health sector and will create thousands of job opportunities for pharmacists and others. <https://www.thenews.com.pk/print/1263051-turkish-industry-has-bright-prospects-in-health-sector>
- 2) Prime Minister Sharif was apprised that over 200 business-to-business (B2B) agreements along with MoUs worth \$70 million have been signed with several Chinese companies. <https://dailytimes.com.pk/1249370/over-200-b2b-deals-mou-worth-70m-signed-with-chinese-firms-pm-told/>
- 3) Chinese delegation to invest \$1 billion over 3 years in a Karachi mega medical city which will include manufacturing facilities for medical equipment, a world-class medical college, training programmes, and produce up to 50,000 new jobs. <https://tribune.com.pk/story/2515873/chinese-delegation-to-invest-1b-in-karachi-mega-medical-city>
- 4) AD Ports Group has and the government of Pakistan signed a series of MoUs in the transportation and logistics sectors, including maritime shipping, air transport, rail logistics and digital services designed to enhance Pakistan's transport infrastructure. <https://gulfbusiness.com/ad-ports-group-pakistan-ink-mous-to-enhance-transport-logistics-sectors/>
- 5) As many as 25 Chinese companies signed various MoUs with their Pakistani counterparts and expressed their deep interest in investing heavily in Pakistan, including agriculture, automobiles, electrical alliances, pharmaceuticals, logistics, medical equipment, and technology companies. <https://sundayguardianlive.com/world/china-to-invest-in-paks-textile-tech-sectors>



# Nuclear – Led by China

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- Over the past 2 decades, Pakistan has six operating nuclear power reactors supplied by China at two sites: Chashma, inland 200km southwest of Islamabad; and Karachi, on the coast about 30 km west of Karachi
- Pakistan was the 1<sup>st</sup> country to adopt Chinese Hualong One reactor technology; Karachi 2 became operational 2021, Karachi 3 2022 (the first use was in China)
- As of August 2024, Pakistan's 6 nuclear power plants, including the four operational units at Chashma and the two at Karachi, contribute 3,530MW, slightly less than 10% of Pakistan's mix
- In December, the Pakistan announced commenced construction by Hualong, of the Chashma 5 Nuclear Power Project, its largest nuclear power plant, with the capacity to 1,200 MWe – projected cost of \$3.7 billion (85% of cost from CNNC)

China and Pakistan are actively discussing China's soon to be operational SMRs and how they can accelerate nuclear capacity

# Accelerated Solar Power/Energy Transition

## *Powered by China*

- **August** – ALKO (China) signed an agreement with the Punjab provincial government to set up a solar panel manufacturing and assembly plant
- **October (2<sup>nd</sup>)** – in H1 2024, Asia overtook Europe as the largest export destination for PV products; and Pakistan became the 2nd largest market for module exports after Europe. In August alone, the total value of inverter exports to Pakistan saw a YOY surge of 429%
- **November (11<sup>th</sup>)** – Punjab Chief Minister invited Jinko Solar (China) to build a manufacturing plant in Pakistan's most populous province
- **November (27<sup>th</sup>)** – Pakistan's rapid growth in solar energy capacity is now being labelled as one of the fastest solar revolutions in the world. While this drives Pakistan's goal of 60% renewable energy by 2030 near terms it threatens to disrupt the grid

Currently, only 5.4% of Pakistan's installed power generation capacity of 39,772 MWs comes from renewable (up from 1.4% in June 2023)

# Issues Still to be Addressed

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- Continued focus on converting pledges into investments
- Grid issues related to rapid solar growth (BESS needs)
- Actively evaluate new nuclear – SMRs and TSMRs (thorium) led by China as an increasing part of the energy mix

# Thorium – Enter China

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- In 2010, Jiang Mianheng, son of former Chinese president Jiang Zemin, visited ONRL and signed a cooperation agreement with the lab which provided gave the Chinese Academy of Sciences (CASS), the plans for a thorium reactor
- In January 2011, Jiang signed a protocol with the Department of Energy outlining the terms of joint energy research with the academy
- The protocol stipulated that intellectual property arising from the joint research will be shared with the global scientific community
- The pact also specifically rules out any military or weapons-related research. “All activities conducted under this protocol shall be exclusively for peaceful purposes,” it says
- It should be noted that China had been monitoring this technology since at least the 1970s via its nuclear partnership with Canada’s CANDU nuclear (some thorium) programme

# Chinese TMSR

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- In January 2011, CASS launched a \$444 million R&D programme on TMSR to obtain full intellectual rights on the technology
- Construction of the 2MWg TMSR-LF1 reactor began in 2018 and was reportedly completed in 2021 (3 years ahead of schedule)
- In June 2023, the Chinese Government gave the green light to commission the experimental 2MW TMSR in the Gobi desert (which achieved 2MW of thermal energy but no actual electricity)
- The new facility will produce 60MW of heat used to generate 10MW of electricity and hydrogen
- Full operation is expected not later than 2030, when China plans to produce 100MWs TMSRs
- There is enough thorium in China to power it for 20,000 years

# China SMRs

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## *Chinese SMRs (Linglong)*

- Linglong-1 is the world's first commercial onshore SMR , located in Hainan Province
- In 2019, CNNC began construction of the ACP100 reactor at the Changjiang site, where two CNP600 PRWs are already operational
- First concrete was poured in July 2021; CNNC expected full construction to take 58 months
- World Nuclear News reported that equipment installation work began in December 2022 and the main internal structure of the reactor building was completed in March 2023
- It is the first SMR to receive approval from the International Atomic Energy Agency (IAEA)
- Once completed in 2026, the reactor will have a power generation capacity of 125MW and is set to produce 1 billion KW/hrs of electricity/year. In addition, the reactor will be used to provide heating for steam production and seawater desalination
- China is on pace to add as many as 10 reactors/year and may surpass the United States' total nuclear capacity by 2030

*Note: for information on Russia SMRs: <https://russiaspivottoasia.com/rosatoms-2024-global-nuclear-power-project-reach>*

# ONE PEOPLE... ONE PLANET

➤ HEALTH

➤ GREEN