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## **More than \$70 Billion Phantom Power Bill: How IMF & World Bank Policies Locks Global South into Paying for Power Never Produced**

### **Factsheet**

**Report:** *The Capacity Payment Trap: How energy shocks exposed the IMF and World Bank's broken power prescription*

### **Research by:**

Public Services International (PSI)

Centre for International Corporate Tax Accountability and Research (CICTAR)

*A data-driven exposé of how IMF- and World Bank-promoted energy privatisation has locked countries into billions in payments to private power producers — even when electricity is not being generated.*

For three decades, the IMF and World Bank promoted Power Purchase Agreements (PPAs) with private for-profit electricity generators as a way for developing countries to attract private investment into electricity generation. Under these long-term contracts, governments and public utilities are required to compensate generators with 'capacity payments' regardless of whether electricity is actually delivered to the grid.

### **What is a capacity payment?**

PPAs have two components:

**Capacity payment:** a fixed payment for making a power plant available, regardless of how much electricity it produces.

**Energy payment:** payment for the electricity actually generated and supplied to the grid.

Contracts typically run for **25–30 years**, transferring much of the investment risk from private generators to public utilities.

For developing countries, large capacity payment costs are consuming resources that could be invested into delivering decent public services and financing a just energy transition.

### **THE BIG NUMBERS**

- More than US\$70 billion paid in capacity payments to independent power producers in Thailand, Indonesia, Pakistan and Bangladesh between 2020 and 2025.

- US\$15.2 billion paid in capacity payments in 2025 alone — up 66% from US\$9.2 billion in 2020.
- At least US\$2 billion in each country in 2025 was spent on capacity payments.

These payments are usually denominated in US dollars, meaning currency depreciation can sharply increase the cost for governments, public utilities and ultimately consumers.

## COUNTRY SNAPSHOTS

### PAKISTAN: PAYING MORE FOR LESS

Between 2020–21 and 2023–24:

- Electricity delivered through PPA contracts fell by 4%.
- Payments to IPPs more than doubled, from PKR 1.4 trillion to PKR 3.1 trillion.
- Capacity payments accounted for more than three-quarters of the increase.
- In recent years, capacity payments have made up more than 60% of payments to IPPs and more than half of the total consumer tariff cost.

Pakistan now has 46,605 MW of installed capacity, while peak demand has never exceeded 28,000 MW — yet consumers continue paying for unused capacity.

### BANGLADESH: PAYMENTS UP 134%, ELECTRICITY UP JUST 1%

Between 2020–21 and 2024–25:

- Electricity delivered to the grid increased by only 1%.
- Payments to IPPs increased by 134%.
- Capacity payments almost tripled to BDT 352 billion.
- Capacity payments accounted for 48% of all payments to IPPs in 2024–25.

Over the same period, Bangladesh has continued to experience blackouts and load-shedding. Following currency depreciation, the cost of servicing dollar-linked capacity payments rose sharply.

### THAILAND: INSULATED FOR NOW, BUT RISKS ARE GROWING

Thailand has been better protected from global energy shocks because much of its gas has historically come from domestic fields at regulated prices. In 2004 Thai unions successfully resisted privatisation that would have resulted in higher exposure to global shocks.

BUT:

- Capacity payments still accounted for 23% of payments to IPPs in 2025.
- Since 2023, seven power plants with more than 11 GW of capacity have operated at less than 30% of their potential output.
- Around 30% of Thailand's gas is now imported LNG, and this share is projected to rise substantially as domestic gas reserves decline.

This could expose Thailand increasingly to global LNG prices and larger fixed-payment liabilities.

## INDONESIA: CAPACITY PAYMENTS HAVE MORE THAN DOUBLED

Indonesia has been partly protected from international price shocks by regulated domestic coal prices.

But capacity payments still rose sharply:

- From IDR 21 trillion in 2020 to IDR 45 trillion in 2025 – an increase of more than 114%
- Capacity payments grew 57% faster than electricity delivered to the grid over this period.
- In US dollar terms, capacity-payment liabilities increased from US\$1.26 billion in 2021 to US\$2.73 billion in 2025, a rise of more than 116%.
- Capacity payments accounted for 23% of payments to IPPs in 2025.

These payments draw resources away from investment in decent public services and a just energy transition.

## WHY THIS MATTERS FOR THE ENERGY TRANSITION

Many countries are now trying to move away from fossil fuels towards cheaper renewable energy. But existing PPAs require governments to continue paying private coal and gas generators even when their electricity is no longer needed.

This creates a perverse situation: the faster countries move towards renewable energy, the more they may still have to pay owners of under-used fossil-fuel power plants.

Capacity-payment liabilities, therefore, consume public resources that could instead finance renewable generation, grid infrastructure and quality public services.

## WHAT THE REPORT CALLS FOR

The report calls on the IMF and World Bank to:

### 1. Stop promoting the PPA model

End conditionalities that encourage private-sector PPAs and electricity distribution privatisation.

### 2. Support countries to renegotiate existing PPAs

Reduce decades-long liabilities that continue to drain public finances.

### 3. Finance public and community-owned renewable energy

Provide concessional finance for public and community-owned renewable generation and grid infrastructure.

## ABOUT THE REPORT

### The Capacity Payment Trap: How energy shocks exposed the IMF's broken power prescription

**Author:** Edward Miller, researcher, Centre for International Corporate Tax Accountability and Research (CICTAR)

**Organisations:** Public Services International (PSI) and Centre for International Corporate Tax Accountability and Research (CICTAR).

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The analysis draws on financial statements and annual reports from NEPRA in Pakistan, BPDB in Bangladesh, EGAT in Thailand and PLN in Indonesia.

**Media Contact:**

Jyotsna Singh: +91 9999332811 | [jjyotsna.singh@world-psi.org](mailto:jjyotsna.singh@world-psi.org)