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Corporate Sustainability and Climate Action: Legal Perspectives on SDG Implementation in Pakistan's Energy Sector

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ABSTRACT

Pakistan's energy sector sits at the intersection of three of the most consequential legal developments in contemporary sustainable-development law: the Sustainable Development Goals framework, the international climate regime under the Paris Agreement, and the rapidly evolving domain of corporate sustainability disclosure. This article critically examines how these three domains have been translated into Pakistani law, from the constitutionally significant climate litigation of Leghari v Federation of Pakistan and the Climate Change Act 2017, through the Alternative and Renewable Energy Policy 2019 and Pakistan's successive Nationally Determined Contributions, to the Securities and Exchange Commission of Pakistan's still-developing corporate ESG disclosure architecture. It updates this account to reflect Pakistan's Third Nationally Determined Contribution, submitted to the UNFCCC in September 2025, which commits to a fifty percent reduction in projected greenhouse gas emissions by 2035 at an estimated cost of USD 565.7 billion, and to reflect the Supreme Court of Pakistan's 2024 order compelling the long-delayed establishment of the Pakistan Climate Change Authority. The article also engages critically with the comparative European Union framework this literature typically treats as an aspirational benchmark, showing that the EU's own Corporate Sustainability Reporting and Due Diligence Directives were substantially narrowed by the Omnibus I Directive finalised in February 2026 — a retreat that complicates any simple account of Europe as a fixed regulatory ideal for Pakistan to emulate. The article argues that Pakistan's SDG-aligned legal architecture suffers less from an absence of formal commitment than from a persistent enforcement and institutional-coordination gap between climate policy, energy-sector regulation, and corporate accountability law, and proposes a sequenced reform agenda to close it.

Introduction

The 2030 Agenda for Sustainable Development, adopted by the United Nations General Assembly in 2015, positions energy at the centre of the sustainability project. Sustainable Development Goal 7 commits states to ensure access to affordable, reliable, sustainable, and modern energy for all; Sustainable Development Goal 13 commits states to take urgent action to combat climate change and its impacts; and the two goals are explicitly linked, in the 2030 Agenda's own architecture, to Goal 9's commitment to resilient infrastructure and Goal 17's commitment to a revitalised global partnership for implementation. For Pakistan, a country that the Global Climate Risk Index has consistently ranked among the states most vulnerable to climate-related harm despite contributing less than one percent of global greenhouse gas emissions, the energy sector occupies a particularly fraught position within this framework: it is simultaneously the primary source of the country's own emissions, the sector most directly implicated in the devastating floods and heatwaves Pakistan has experienced in recent years, and the sector on which any credible national climate response must be built.

This article asks how Pakistani law has translated these international commitments into binding or quasi-binding domestic obligations, and where the resulting legal architecture succeeds and fails as an instrument of corporate and state accountability. The inquiry proceeds across three interlocking bodies of law that existing scholarship has often treated separately rather than as parts of a single accountability structure: the constitutional and statutory climate-change framework inaugurated by the landmark Leghari litigation and consolidated in the Climate Change Act 2017; the energy-sector regulatory framework governing generation, transmission, and the renewable-energy transition, most recently reshaped by Pakistan's Third Nationally Determined Contribution; and the corporate-facing sustainability disclosure framework the Securities and Exchange Commission of Pakistan has been building, in stages, since 2022. The article's central claim is that Pakistan's difficulty lies less in the absence of formal legal commitment on paper, Pakistan's climate and energy targets are now genuinely ambitious than in the fragmented, poorly coordinated institutional architecture responsible for translating those commitments into enforceable obligations on the state-owned and private entities that actually generate, distribute, and consume energy.

The article also takes a deliberately critical stance toward the comparative use of European Union law in this literature, which has tended to treat the EU's Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive as a stable benchmark against which Pakistan's still-developing framework should be measured. As Part 6 documents in detail, this benchmark shifted dramatically during the course of 2025, when the European Commission's "Omnibus" simplification package substantially narrowed both directives' scope, delayed their timelines, and removed several of their most consequential obligations developments finalised in Directive (EU) 2026/470 in February 2026. Any comparative account of corporate sustainability regulation written after that date must engage with this retreat directly, rather than treating the EU framework as a fixed aspirational endpoint.

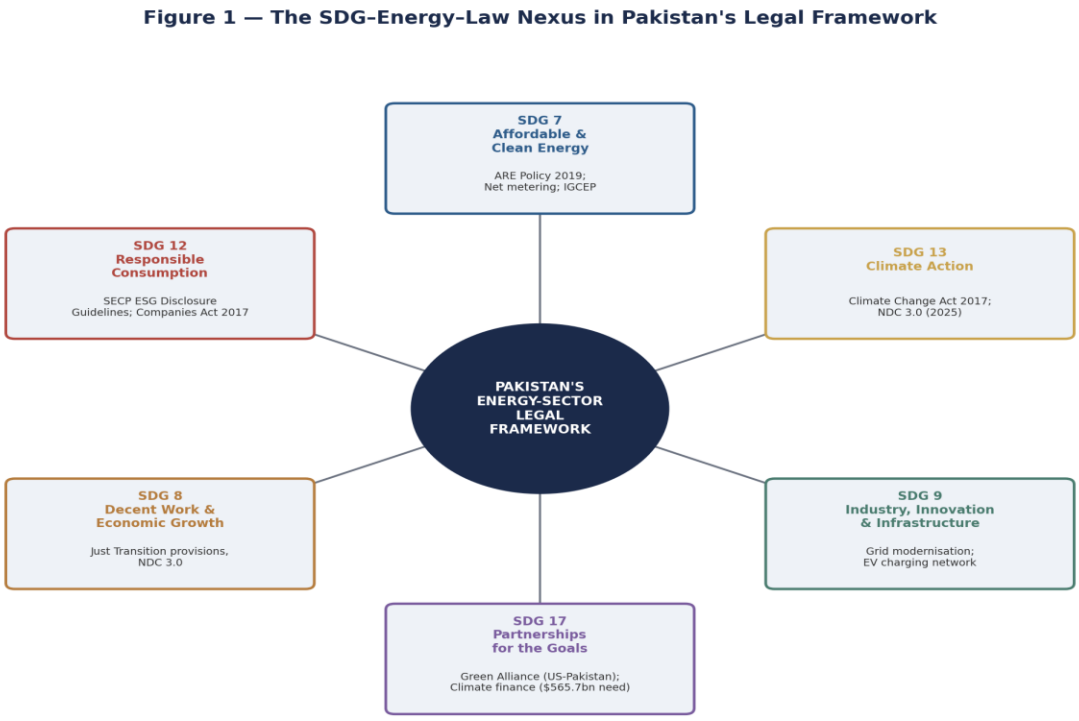

Figure 1: The SDG–energy–law nexus in Pakistan's legal framework

The SDG Framework and Pakistan's Energy Sector: Conceptual Foundations

Sustainable Development Goal 7 sets four principal targets relevant to this article: universal access to affordable, reliable, and modern energy services; a substantially increased share of renewable energy in the global energy mix; a doubling of the rate of improvement in energy efficiency; and enhanced international cooperation to facilitate access to clean-energy research, technology, and investment. Sustainable Development Goal 13 requires states to strengthen resilience and adaptive capacity to climate-related hazards, integrate climate-change measures into national policies, strategies, and planning, and improve education, awareness-raising, and institutional capacity on climate-change mitigation and adaptation. Neither goal is, by itself, a source of binding international obligation in the manner of a treaty provision; the SDGs operate as a framework of political commitment that states are expected to localise through domestic legislation, policy, and institutional design.

This framing has particular importance for Pakistan's energy sector because SDG 7 and SDG 13 are, in important respects, in tension with one another as applied to a country still working to extend basic electricity access to its population while simultaneously needing to decarbonise its existing generation fleet. Pakistan's own per-capita electricity consumption remains among the lowest in the region, and a meaningful share of the rural population continues to rely on off-grid or unreliable grid connections, meaning that SDG 7's access dimension cannot be treated as already achieved and set aside in favour of SDG 13's decarbonisation agenda alone. Any legal framework genuinely responsive to both goals simultaneously must therefore be judged not only by its renewable-energy percentage targets, of the kind Part 4 examines in detail, but by whether

the pathway to those targets also extends reliable, affordable access to currently underserved populations a dual test this article's critical assessment in Part 8 returns to when evaluating whether Pakistan's current legal architecture, focused predominantly on generation-mix targets and corporate disclosure, adequately captures the access dimension SDG 7 equally requires.

Pakistan formally adopted a National SDG Framework and established SDG support units within federal and provincial planning departments shortly after the 2030 Agenda's adoption, and Pakistan's Voluntary National Review submissions to the UN High-Level Political Forum have consistently identified energy-sector reform as central to SDG 7 and SDG 13 localisation. The legal significance of this localisation process is that it creates a domestic institutional record voluntary national review, SDG framework documents, and associated planning instruments against which Pakistan's subsequent statutory and regulatory choices can be measured for consistency, even though the SDGs themselves impose no directly enforceable legal duty on the Pakistani state or on private energy-sector actors. The legally consequential translation of SDG 7 and SDG 13 into domestic obligation has instead occurred through three distinct channels examined in the parts that follow: constitutional climate litigation and the Climate Change Act 2017; the energy-policy and Nationally Determined Contribution framework; and, more recently, corporate securities regulation.

Pakistan's federal structure adds a further layer of complexity to this localisation exercise that the SDG literature has not always addressed directly. Following the Eighteenth Constitutional Amendment's devolution of environmental and several energy-adjacent subjects to the provinces, meaningful SDG 7 and SDG 13 implementation increasingly depends on provincial as well as federal action. Sindh and Khyber Pakhtunkhwa have each adopted their own provincial climate-change policy instruments, and Punjab's Environmental Protection Department has developed provincial adaptation planning capacity independent of the federal Climate Change Authority discussed in Part 3.2. This multiplication of competent institutions strengthens the case, developed at length in Part 7, that Pakistan's central SDG-implementation weakness is coordination rather than the absence of formal commitment: a framework in which federal, provincial, and corporate-regulatory institutions each hold partial and imperfectly integrated authority over the same underlying SDG 7 and SDG 13 objectives is structurally prone to exactly the kind of implementation gap Part 3.2's account of the Climate Change Authority's delayed establishment illustrates at the federal level alone.

Pakistan's Climate and Energy Legal Architecture

Leghari v Federation of Pakistan and the Constitutionalisation of Climate Obligation

Pakistan's climate jurisprudence begins with Asghar Leghari v Federation of Pakistan, decided by the Green Bench of the Lahore High Court in 2015. Leghari, a farmer whose livelihood depended on water and food security threatened by climate variability, petitioned the court alleging that the federal and Punjab governments' failure to implement the National Climate Change Policy of 2012 and its associated Framework for Implementation violated his fundamental rights to life and human dignity under Articles 9 and 14 of the Constitution. In its judgment of 4 September 2015, the Court held that "the delay and lethargy of the State in implementing the Framework offend the fundamental rights of the citizens," describing climate change as "a defining challenge of our time" and explicitly invoking a principle of climate justice, understood by the presiding judge as extending the older, more localised tradition of

environmental justice to the global and intergenerational scale climate change demands. As a remedy, the Court directed twenty government ministries and departments to nominate climate-change focal persons, ordered the submission of a prioritised list of action points, and constituted a Climate Change Commission comprising government, civil-society, and technical-expert representatives to monitor implementation. A supplemental order on 14 September 2015 named twenty-one individuals to the Commission and vested it with monitoring powers; a subsequent order of 25 January 2018 recorded that sixty-six percent of the Framework's priority actions had been implemented between September 2015 and January 2017, after which the Court dissolved the Commission and constituted a standing committee in its place, creating what King's Law Journal commentary has described as an ongoing structural link between the judiciary and the executive on climate policy implementation.

Leghari's significance extends well beyond its immediate remedial orders. It established, for the first time in Pakistani jurisprudence, that the state's climate-policy obligations are judicially enforceable as a matter of fundamental-rights law rather than merely a matter of executive discretion, placing Pakistan alongside the Netherlands' Urgenda litigation as one of the earliest examples, globally, of a court compelling government climate action on constitutional grounds. It also established a template focal-person designation, expert-inclusive monitoring commissions, and standing judicial oversight that later Pakistani climate governance, including the Climate Change Act 2017 discussed immediately below, would substantially draw upon.

A brief comparative note is useful here. The Dutch Supreme Court's 2019 Urgenda judgment and Leghari share a common structural feature both derive an enforceable government climate obligation from existing constitutional or human-rights guarantees rather than from any freestanding domestic climate statute but they diverge sharply in remedial design. Urgenda specified a quantified emissions-reduction target the Dutch state was ordered to meet by a fixed date, a remedy the Dutch courts were able to fashion because the Netherlands already possessed the detailed, court-administrable emissions-inventory infrastructure such a quantified order requires. Leghari, by contrast, proceeded through procedural and institutional remedies focal persons, a monitoring commission, periodic reporting precisely because Pakistan, in 2015, lacked comparable measurement infrastructure, and the Lahore High Court's remedy can be read as an attempt to build that infrastructure through litigation rather than to rely on infrastructure that did not yet exist. This comparative observation matters for the present analysis because it suggests that Pakistan's climate jurisprudence has, from its inception, been constrained by exactly the measurement and institutional-capacity limitations Part 8 identifies as the central obstacle to NDC 3.0 implementation a decade later a continuity between Leghari's remedial design and this article's own diagnostic conclusion that is easy to overlook when the two are treated, as much existing commentary treats them, as belonging to entirely separate bodies of scholarship.

The Climate Change Act 2017

The Pakistan Climate Change Act 2017, enacted in March 2017, establishes a three-part institutional architecture across its five chapters: the Pakistan Climate Change Council, chaired at the highest levels of government and tasked with coordinating and supervising enforcement of the Act, monitoring implementation of Pakistan's international climate obligations including the SDGs specifically, and approving comprehensive adaptation and mitigation policies; the Pakistan Climate Change Authority, responsible for formulating those policies in the first

instance, establishing institutional mechanisms for renewable energy and energy-efficiency measures, and preparing adaptation and mitigation projects for submission to international and domestic funding bodies including the Clean Development Mechanism and the Global Environment Facility; and the Pakistan Climate Change Fund, established to finance the Authority's functions.

The Act's practical history illustrates precisely the enforcement gap this article identifies as Pakistan's central structural weakness. Although Section 5 of the Act required the Federal Government to establish the Climate Change Authority by notification, the Authority remained unconstituted for years after the Act's passage, a fact that only changed following a Supreme Court order issued on a petition brought by the Public Interest Law Association of Pakistan directing the government to establish the Authority in 2024, some seven years after the Act's enactment. This delay, and the judicial intervention required to overcome it, exemplifies a recurring pattern in Pakistani climate governance: ambitious statutory design followed by prolonged administrative non-implementation, corrected, when it is corrected at all, through public-interest litigation rather than routine executive compliance.

The Alternative and Renewable Energy Policy 2019 and the Indicative Generation Capacity Expansion Plan

The Alternative and Renewable Energy Policy 2019 set a target of twenty percent renewable-energy capacity, excluding large hydropower, by 2025, rising to thirty percent by 2030, implemented through competitive bidding for new generation capacity and net-metering arrangements for distributed solar generation. Pakistan's National Electric Power Regulatory Authority translates these targets into binding generation planning through the Indicative Generation Capacity Expansion Plan, a rolling document that determines which new generation projects receive regulatory approval. The interaction between these two instruments has, however, generated a documented policy tension: independent energy-sector analysis has found that successive iterations of the Generation Capacity Expansion Plan have reclassified large hydropower as "renewable" for the purposes of measuring progress toward the sixty-percent clean-energy target announced at the 2020 Climate Ambition Summit, a reclassification that, combined with a reported reduction of planned wind and solar capacity by as much as seventeen gigawatts in one planning cycle, risks satisfying the letter of Pakistan's renewable-energy commitments through continued reliance on large dam projects themselves subject to significant cost-overrun and delay risk rather than through the accelerated deployment of increasingly cost-competitive solar and wind capacity the original Alternative and Renewable Energy Policy 2019 envisioned.

Figure 2: A timeline of Pakistan's climate, energy, and corporate sustainability law, 2015–2025

A Case Study: Thar Coal and the Limits of the Moratorium on Imported Coal

The Thar coal development in Sindh province illustrates the practical tension between Pakistan's stated decarbonisation commitments and its continuing domestic energy-security priorities in a way the moratorium language discussed above does not fully capture. Pakistan's 2021 and 2025 NDC commitments each pledge a moratorium on new imported-coal capacity specifically, a formulation that leaves domestic Thar lignite coal mined and generated entirely within Pakistan using indigenous reserves estimated among the largest lignite deposits in the world outside the moratorium's scope. Several Thar-based power projects, developed substantially through Chinese investment under the China-Pakistan Economic Corridor, have continued to reach financial close and commence generation in the years since Pakistan's 2021 NDC update, on the government's own reasoning that indigenous coal reduces exposure to imported-fuel price volatility and supports energy security independent of the climate considerations NDC commitments address. This distinction between imported and domestic coal, while consistent with the precise wording of Pakistan's mitigation pledges, illustrates the measurement-gap concern developed further in Part 8: a jurisdiction can remain in full technical compliance with its own stated coal-related commitments while continuing to add coal-fired generation capacity, so long as that capacity is domestically sourced, a result difficult to reconcile with SDG 13's broader decarbonisation objective even where it satisfies the letter of Pakistan's Paris Agreement pledge.

Pakistan's Nationally Determined Contributions: From 2016 to NDC 3.0

The 2016 and 2021 Contributions

Pakistan submitted its first Nationally Determined Contribution under the Paris Agreement in 2016 and an enhanced, updated contribution in October 2021, ahead of COP26 in Glasgow. The 2021 update committed Pakistan to a cumulative, conditional reduction of fifty percent in projected emissions by 2030 relative to a business-as-usual baseline, split between an unconditional domestic contribution of fifteen percent and a further thirty-five percent contingent on international grant finance estimated at USD 101 billion for the energy transition alone, rising to a combined USD 166 billion when a further USD 65 billion identified for the period to 2040 is included. The 2021 update also committed Pakistan to sourcing sixty percent of its energy from renewable sources, including hydropower, by 2030; to ensuring that thirty percent of new vehicle

sales be electric by the same date; to a complete ban on new imported-coal power plants; and to an expansion of nature-based solutions including the Ten Billion Tree Tsunami programme.

NDC 3.0: The September 2025 Submission

Pakistan submitted its Third Nationally Determined Contribution to the UNFCCC on 23 September 2025, described in contemporaneous domestic commentary as the most detailed and ambitious climate plan the country has produced. NDC 3.0 commits Pakistan to a fifty-percent reduction in projected greenhouse gas emissions by 2035 relative to business-as-usual a reduction from a projected 2,559 million tonnes of carbon dioxide equivalent to 1,280 million tonnes with the unconditional domestic component increased from fifteen to seventeen percent and the internationally financed component set at thirty-three percent. The submission estimates a combined investment requirement of USD 565.7 billion, a figure more than three times the combined estimate the 2021 update had produced only four years earlier, reflecting both a longer planning horizon and, according to the document's own framing, a considerably more detailed sectoral costing exercise than its predecessor attempted.

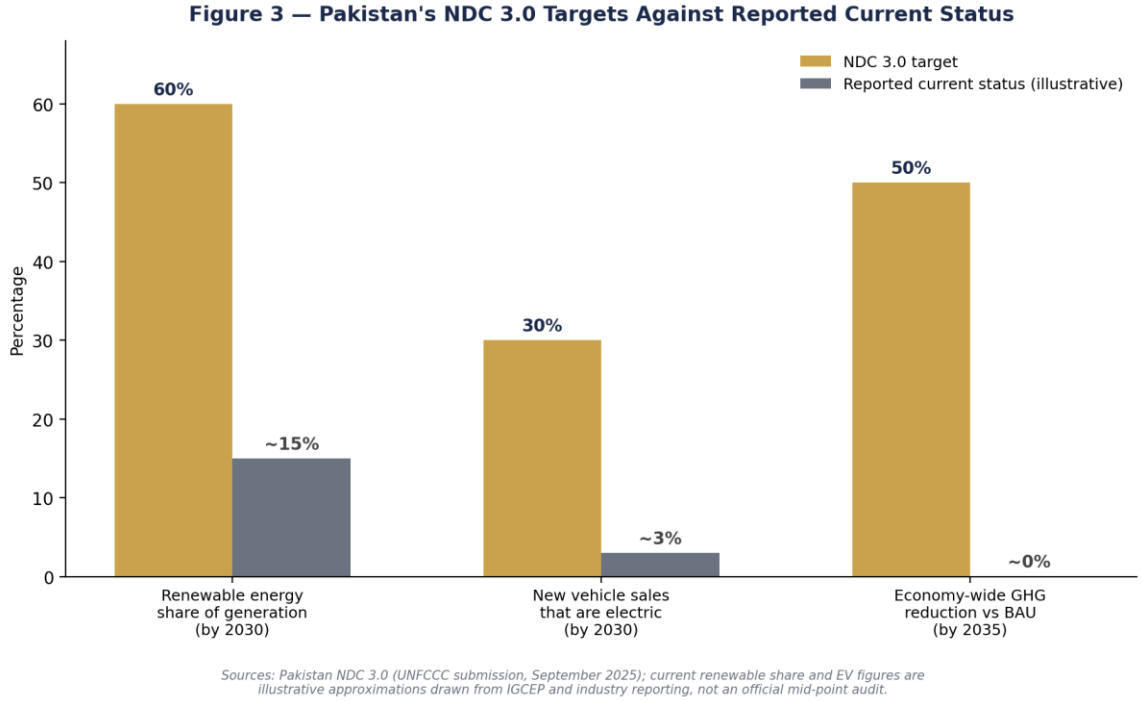

Figure 3: Pakistan's NDC 3.0 targets against reported current status

NDC 3.0 introduces several features with direct legal and institutional significance. It integrates Pakistan's National Adaptation Plan into the NDC document for the first time, formally linking mitigation and adaptation planning within a single instrument. It incorporates a Climate Change Gender Action Plan, mainstreaming gender-responsive climate planning across the document. It includes, for the first time, a loss-and-damage assessment mechanism, situating Pakistan's domestic climate-finance architecture within the broader international loss-and-damage framework agreed at COP27 and operationalised in subsequent COP sessions. And it explicitly acknowledges, again for the first time, the need for coordinated multi-level governance federal,

provincial, and local a concession that implicitly recognises the institutional fragmentation this article identifies as a persistent obstacle to implementation. On the technology side, NDC 3.0 targets 38,000 megawatts of clean-energy capacity by 2035 across solar, wind, and hydropower, and 3,000 electric-vehicle charging stations to support the thirty-percent electric-vehicle sales target retained from the 2021 update. The document also notes that Pakistan imported seventeen gigawatts of solar-power equipment in 2024 alone more than double the prior year's imports and enough to make Pakistan the world's third-largest importer of solar panels with installed solar photovoltaic capacity estimated at approximately forty-seven gigawatts and cumulative investment exceeding USD 10 billion, a data point the document itself treats as evidence that private, market-driven solar adoption is substantially outpacing formal utility-scale renewable-energy planning under the Indicative Generation Capacity Expansion Plan discussed in Part 3.3.

Figure 4 — Financing the Transition: NDC 3.0 Investment Needs and Pakistan's Current Generation Mix

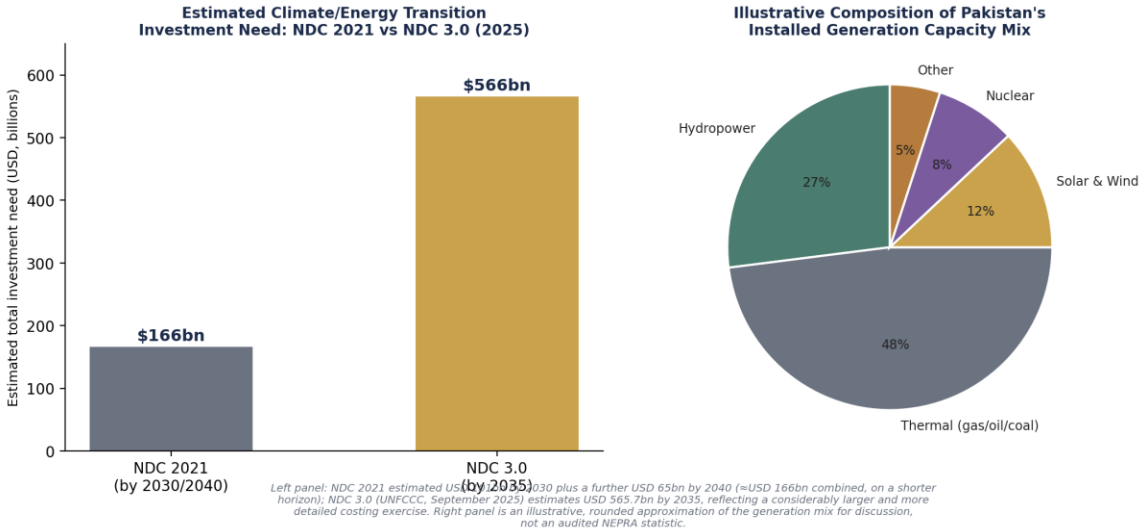

Figure 4: Financing the transition: NDC 3.0 investment needs and Pakistan's current generation mix

NDC 3.0's own retrospective assessment of the 2021 commitment is notable for its candour: the document states that Pakistan achieved a thirty-seven percent emissions reduction against the relevant baseline between 2021 and 2025 without having received the international financial assistance its conditional targets had anticipated, a result Pakistan's climate diplomacy has characterised as evidence of self-reliant climate action but which independent analysts have equally read as evidence that the conditional-finance mechanism underlying Pakistan's entire NDC architecture has not functioned as designed, and that further reductions at greater scale are unlikely to be achievable through domestic resources alone.

The Just Transition Dimension and SDG 8

NDC 3.0's explicit invocation of "just transition" principles, noted briefly in Part 1, deserves separate legal attention because it connects Pakistan's energy and climate framework to Sustainable Development Goal 8's commitment to decent work and inclusive economic growth in a manner Pakistan's earlier NDC submissions did not attempt. A just-transition-consistent

legal framework would need to address the labour-market consequences of the coal-to-renewables shift NDC 3.0 anticipates, particularly for workers employed in the Thar coal development discussed in Part 3.4 and in the conventional thermal generation capacity NDC 3.0's own trajectory implies will be progressively displaced. NDC 3.0 references the concept without yet specifying binding mechanisms retraining obligations, transition funds, or affected-worker consultation requirements of the kind just-transition frameworks in other jurisdictions have adopted leaving just transition, for the present, as a stated principle awaiting the kind of institutional and statutory elaboration this article's reform roadmap in Part 9 addresses only at the level of general coordination rather than sector-specific labour protection. This is a further, distinct illustration of the gap between stated ambition and operational legal architecture that runs through this article's broader critical assessment.

Corporate Sustainability Regulation: The SECP's ESG Architecture

Statutory Foundations: The Companies Act 2017 and Corporate Governance Regulations

Pakistan's corporate-facing sustainability regulation is built on a comparatively thin statutory foundation. The Companies Act 2017 does not impose a freestanding sustainability-disclosure or climate-risk obligation on directors; its relevant provisions operate indirectly, through general directors' duties and through the corporate governance framework the Securities and Exchange Commission of Pakistan has built beneath it. The Listed Companies (Code of Corporate Governance) Regulations 2019 made board-level female representation mandatory for listed companies and, in amendments associated with the ESG Disclosure Guidelines discussed below, now require listed companies to maintain sustainability committees with defined oversight responsibilities a meaningful but comparatively modest governance intervention relative to the board-level climate-risk oversight duties several comparator jurisdictions have adopted.

The ESG Regulatory Roadmap and the 2023-2024 Disclosure Guidelines

The SECP's substantive sustainability-disclosure architecture dates from June 2022, when the Commission published an ESG Regulatory Roadmap and constituted an ESG Task Force comprising the Pakistan Stock Exchange, the Pakistan Institute of Corporate Governance, and KPMG in Pakistan, tasked with developing a consolidated ESG reporting framework informed by the Sustainable Stock Exchanges Initiative. Draft ESG Disclosure Guidelines for Listed Companies were circulated for public consultation in 2023, and the Commission formally notified the Guidelines on 12 June 2024. The Guidelines, expressly voluntary in nature, provide a baseline disclosure framework covering environmental impact, social-responsibility practice, and governance structure, permit companies to integrate ESG disclosure into annual reports or publish it as a standalone document, and were issued, in the Commission's own framing, against the backdrop of Pakistan's acute climate vulnerability to rising temperatures, floods, droughts, and other climate-induced disasters.

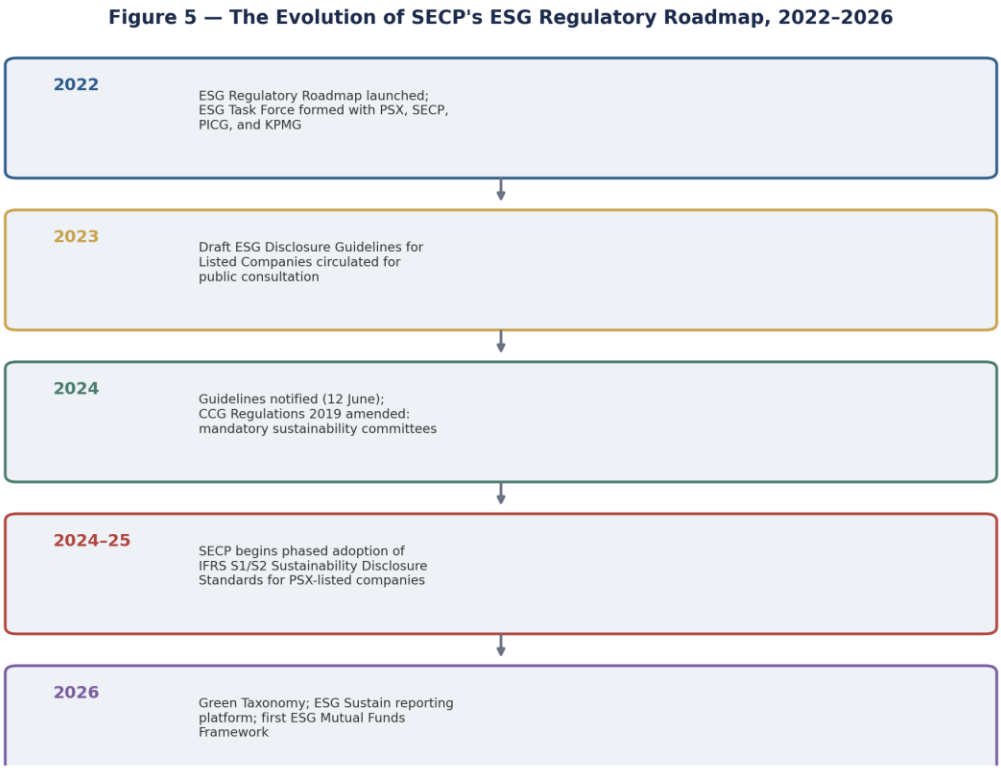

Figure 5: The evolution of SECP's ESG regulatory roadmap, 2022–2026

The voluntary character of the 2023-2024 Guidelines distinguishes Pakistan's approach sharply from the mandatory disclosure architecture the European Union had, until early 2025, been constructing through the Corporate Sustainability Reporting Directive, discussed further in Part 6 below. A second, legally more consequential layer of SECP sustainability regulation has developed alongside the voluntary Guidelines: the phased adoption of the International Financial Reporting Standards Foundation's IFRS S1 and S2 Sustainability Disclosure Standards, issued by the International Sustainability Standards Board, for companies listed on the Pakistan Stock Exchange. Unlike the 2023-2024 Guidelines, SECP has moved to make IFRS S1 and S2 adoption mandatory for PSX-listed companies, working with the Institute of Chartered Accountants of Pakistan on implementation, marking the first genuinely binding sustainability-disclosure obligation in Pakistani corporate law, and the point at which Pakistan's corporate sustainability framework begins to converge, in instrument choice if not yet in substantive scope, with the direction international capital markets regulation has generally taken.

The 2026 Extension: Green Taxonomy and ESG Funds

SECP's own published roadmap indicates further expansion in 2026, including the development of a Green Taxonomy classifying economic activities by environmental sustainability, an "ESG Sustain" reporting platform intended to consolidate and, eventually, benchmark listed companies' sustainability performance, and Pakistan's first regulatory framework for ESG-labelled mutual funds. Taken together, the trajectory from the 2022 Roadmap through the 2024 Guidelines and IFRS adoption to the 2026 Green Taxonomy and fund framework indicates a regulator moving, deliberately if gradually, from voluntary guidance toward a more structured and partially

mandatory disclosure regime though, as Part 7 argues, the framework as it currently stands remains considerably less developed than the energy-sector-specific due-diligence and director-accountability obligations Part 6 shows the European Union had, at least until the Omnibus rollback, been constructing.

The Assurance Gap

A further limitation in the current SECP framework, distinct from the voluntary/mandatory distinction developed above, concerns third-party assurance. The Institute of Chartered Accountants of Pakistan is, as Part 5.2 noted, working with the SECP on IFRS S1/S2 implementation, but Pakistan has not yet mandated the independent, third-party assurance of sustainability disclosures that the EU's Corporate Sustainability Reporting Directive required even in its post-Omnibus, narrowed form. The SECP's own ESG Sustain platform includes a self-reported question asking companies whether their sustainability disclosures have been assured or validated by a third party, but answering that question remains, on the framework's current design, entirely optional. Without an assurance requirement, Pakistan's disclosure architecture risks the same criticism that has historically been directed at voluntary corporate social-responsibility reporting worldwide: that disclosure without independent verification functions more as a reputational exercise than as a genuine accountability mechanism, a concern with particular force in the energy sector given the classification disputes over "renewable" and "clean" generation already documented in Part 3.3.

The Comparative European Union Framework, and Its 2025-2026 Retreat

The Corporate Sustainability Reporting and Due Diligence Directives as Originally Conceived

The European Union's Corporate Sustainability Reporting Directive, which entered into force in January 2023, was designed to require detailed, assured, sector-specific sustainability disclosure from a substantially larger population of companies than its predecessor, the Non-Financial Reporting Directive, had covered, extending eventually to listed small and medium-sized enterprises and to non-EU companies with significant EU-market activity. The Corporate Sustainability Due Diligence Directive, formally adopted in 2024, was designed to impose a genuine value-chain human-rights and environmental due-diligence obligation on large companies, backed by civil liability for harm caused by a failure to conduct adequate due diligence and by the requirement, for the largest companies, to adopt and implement a climate transition plan aligned with the 1.5°C pathway of the Paris Agreement. Together, the two directives represented, as originally conceived, the most ambitious mandatory corporate-sustainability regime in the world, and much of the existing comparative scholarship on Pakistani ESG regulation including the SECP's own public materials has treated this original design as the relevant international benchmark.

The Omnibus Rollback

This benchmark no longer describes current European Union law. On 26 February 2025, the European Commission published its first "Omnibus" simplification package, proposing to delay CSRD reporting obligations for second- and third-wave companies by two years and to substantially narrow both directives' personal scope, framed explicitly as a competitiveness

measure intended to reduce reporting burdens by a stated twenty-five percent for large companies and thirty-five percent for small and medium-sized enterprises. Following extended negotiation between the Commission, the European Parliament, and the Council, a provisional political agreement was reached on 9 December 2025, formally adopted by the European Parliament on 16 December 2025 and by the Council on 24 February 2026, and published in the Official Journal as Directive (EU) 2026/470, entering into force on 18 March 2026.

The substantive effect of this "Omnibus I" Directive is considerable. The Corporate Sustainability Due Diligence Directive's scope is narrowed to large companies with more than five thousand employees and annual net turnover exceeding EUR 1.5 billion a substantially higher threshold than the Directive's original design contemplated with corresponding reductions in the associated liability regime and applicable fines, and with compliance for in-scope companies delayed to 2029. The Corporate Sustainability Reporting Directive's thresholds are similarly raised, exempting all but the largest companies from mandatory reporting and reducing the number of companies subject to the regime to what industry commentary has described as only a fraction of those originally in scope. Sector-specific European Sustainability Reporting Standards, which would have required tailored disclosure metrics for high-impact sectors including energy, have been removed from the framework entirely. And the requirement that in-scope companies adopt and implement a formal climate transition plan arguably the Due Diligence Directive's single most significant substantive obligation for energy-intensive industries has been replaced with a considerably weaker requirement merely to disclose an existing transition plan where one happens to exist, removing any obligation to adopt one in the first place.

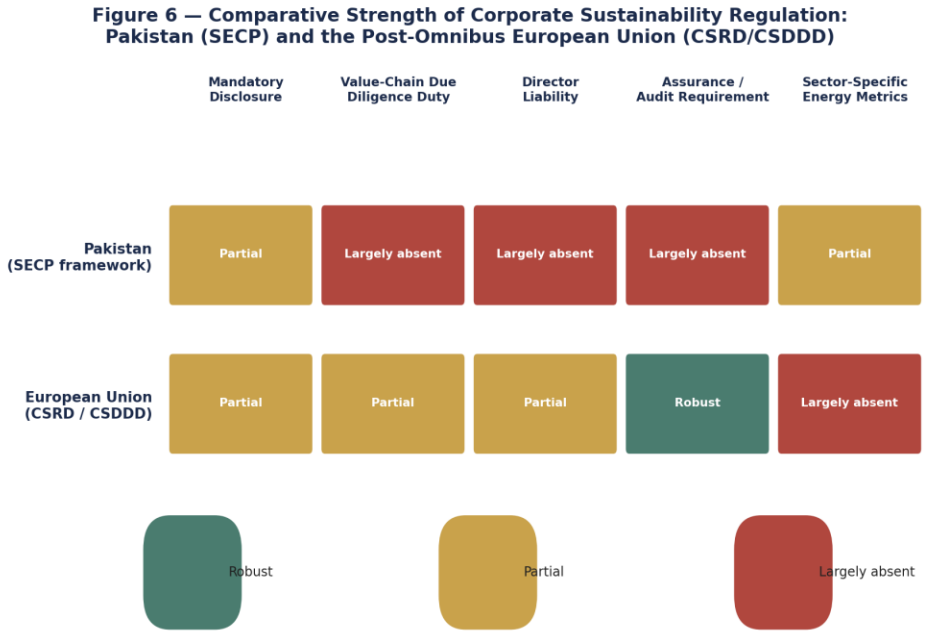

Figure 6: Comparative strength of corporate sustainability regulation: Pakistan (SECP) and the post-Omnibus European Union (CSRD/CSDDD)

Implications for the Comparative Method

This retreat matters for the present analysis in two distinct ways. First, it complicates the normative force of any argument that Pakistan should "catch up" to a fixed European standard, since the standard itself has proven to be a considerably less stable target than earlier comparative scholarship assumed; a reform agenda built entirely around matching the EU's 2024 design would, if implemented on any realistic timeline, arrive to find its own benchmark had been substantially dismantled in the interim. Second, and more constructively, the Omnibus experience offers Pakistan a genuine comparative lesson distinct from the substantive content of the directives themselves: even the jurisdiction most committed to mandatory, granular corporate sustainability disclosure found that regime's compliance burden, once implemented at scale, politically unsustainable without significant simplification, a lesson directly relevant to how Pakistan calibrates the scope and stringency of its own still-developing mandatory layer the IFRS S1/S2 adoption discussed in Part 5.2 as it moves beyond the current PSX-listed population toward any broader application. The comparative benchmark for Pakistan going forward should therefore not be the EU's 2024 maximalist design, nor its 2026 substantially narrowed successor, but the underlying institutional lesson both iterations jointly illustrate: mandatory disclosure regimes require sustained, iteratively calibrated political commitment to remain both effective and administrable, a discipline neither the EU's original ambition nor Pakistan's current voluntary-plus-IFRS hybrid has yet fully demonstrated.

The Energy Sector's Structural Obstacles: Circular Debt, IPPs, and Implementation Capacity

Pakistan's power sector's persistent circular-debt crisis the accumulated shortfall between the revenue electricity distribution companies collect and the payments owed to generation companies and fuel suppliers along the supply chain, a shortfall that independent energy-sector reporting has periodically placed in the range of several trillion rupees outstanding across the sector constitutes an obstacle to SDG 7 and SDG 13 implementation that neither the Climate Change Act 2017 nor the SECP's disclosure architecture is designed to address. The power-purchase agreements Pakistan concluded with independent power producers, several of them denominated substantially in foreign currency and structured around capacity payments owed regardless of actual dispatch, have been repeatedly identified, including in the government's own renegotiation efforts undertaken as part of successive International Monetary Fund programme conditions, as a major structural driver of the tariffs Pakistani consumers and industry face, tariffs that in turn shape the relative economics of renewable-energy investment the NDC 3.0 targets described in Part 4.2 depend upon. A regulatory and disclosure framework focused on corporate ESG reporting, however well designed, cannot by itself resolve a sector-wide financial structure in which the incentives facing state-owned distribution companies, foreign-currency-indexed generation contracts, and national climate commitments are not well aligned; this misalignment, rather than any single legal gap, is arguably the most consequential obstacle standing between Pakistan's ambitious NDC 3.0 targets and their achievement.

The circular-debt crisis also interacts directly with the renewable-energy transition NDC 3.0 anticipates in a further, specifically legal way. Distribution companies burdened by accumulated payables have limited financial capacity to invest in the grid modernisation and transmission-capacity expansion that large-scale solar and wind integration requires, and NEPRA's own tariff-

determination processes must simultaneously manage the competing pressures of consumer affordability, generation-company solvency, and the capital investment renewable integration demands. A legal framework that addressed corporate sustainability disclosure without also addressing this underlying tariff and payables architecture would, on the analysis this article has developed, treat a symptom of Pakistan's energy-sector governance problem as though it were the whole of it.

The same institutional fragmentation identified in the Climate Change Authority's delayed establishment recurs at the intersection of energy and corporate regulation more specifically. NEPRA regulates generation, transmission, and tariff-setting; the SECP regulates corporate disclosure and governance; the Climate Change Authority, now finally constituted, is formally responsible for climate policy coordination; and no single institution possesses the mandate or the authority to assess whether a specific independent power producer's continued operation, financing structure, or emissions profile is consistent with Pakistan's own NDC 3.0 commitments. This is the concrete, sector-specific manifestation of the abstract "institutional coordination gap" this article has identified as its central diagnostic claim.

Critical Assessment: Gaps Between Legal Commitment and Corporate Practice

Three specific gaps deserve emphasis. The first is a measurement gap: Pakistan's NDC 3.0 targets, and the Alternative and Renewable Energy Policy's own capacity targets, are stated in terms percentage share of "clean" or "renewable" generation that, as Part 3.3 showed, remain contested at the level of classification, particularly regarding the treatment of large hydropower, making genuinely independent verification of progress difficult even for good-faith external observers. The second is an enforcement gap: the Climate Change Act 2017's institutional architecture required judicial intervention to become operational at all, and the SECP's most consequential disclosure obligation to date IFRS S1/S2 adoption remains confined to the comparatively small population of PSX-listed companies, leaving the state-owned generation and distribution companies that dominate Pakistan's energy sector, and the many privately held independent power producers structured to avoid public listing, outside its scope entirely. The third is a coordination gap, discussed in Part 7, between the institutions responsible for energy-sector economic regulation, climate policy, and corporate disclosure, none of which currently has either the mandate or the practical capacity to assess energy-sector conduct against Pakistan's SDG and climate commitments as an integrated whole.

None of this suggests that Pakistan's legal commitments are merely symbolic. Leghari remains a globally significant precedent for judicially enforceable climate obligation; the Climate Change Act 2017's institutional design, however slowly implemented, provides a genuine framework the 2024 Supreme Court order has now activated; and NDC 3.0's integration of the National Adaptation Plan, its loss-and-damage mechanism, and its explicit acknowledgment of multi-level governance needs represent real advances in sophistication over Pakistan's earlier submissions. The critical assessment this article offers is not that Pakistan's framework is hollow, but that its formal ambition has consistently outpaced the institutional capacity, coordination, and enforcement infrastructure needed to realise it a diagnosis the SDG 7 and SDG 13 localisation literature discussed in Part 2 has tended to understate by focusing on the existence of policy instruments rather than on their operational integration.

A Note on Method and Limitations

Two limitations of the analysis presented here deserve explicit acknowledgment. First, several of the figures presented in this article's charts particularly Pakistan's current generation-mix composition in Figure 4 and the mid-point renewable-energy and electric-vehicle status figures in Figure 3 are necessarily illustrative approximations rather than audited statistics, reflecting the absence, noted throughout Part 8, of a single authoritative, independently verified dataset against which Pakistan's progress toward its own NDC 3.0 targets can currently be measured; this absence is itself a finding of the article rather than merely a data-availability inconvenience, and future empirical work with access to NEPRA's underlying dispatch data could usefully test the approximations offered here. Second, the comparative treatment of European Union law in Part 6 necessarily reflects the state of the Omnibus process as finalised in February 2026; because EU sustainability regulation has now demonstrated, through the Omnibus experience itself, a greater capacity for rapid substantive revision than earlier comparative scholarship assumed, readers should treat the specific thresholds and provisions described in Part 6.2 as a snapshot rather than a permanently settled baseline, and should verify the current state of Directive (EU) 2026/470's implementation before relying on the comparative figures in Figure 6 for any purpose requiring precise legal accuracy at a later date.

Toward a Coherent SDG-Aligned Legal Framework for Pakistan's Energy Sector

Figure 7 — A Proposed Tiered Reform Roadmap for SDG-Aligned Energy-Sector Regulation

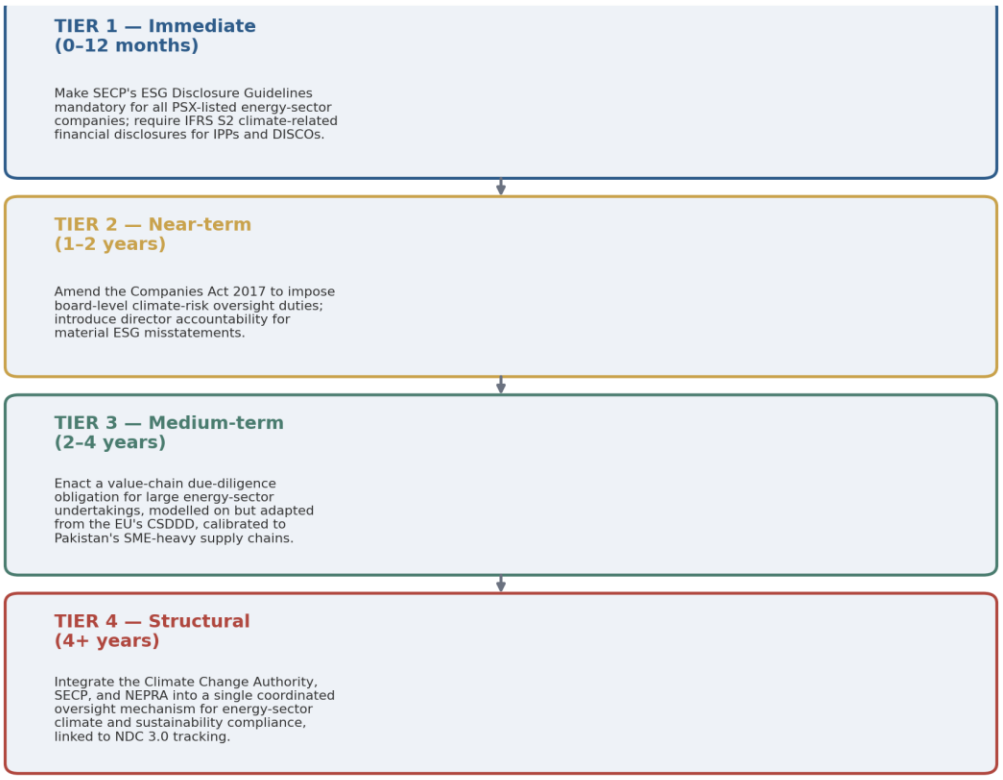

Figure 7: A proposed tiered reform roadmap for SDG-aligned energy-sector regulation

A coherent reform agenda should proceed in four sequenced stages. In the immediate term, the SECP should make its ESG Disclosure Guidelines mandatory specifically for PSX-listed energy-sector companies generation, transmission, and distribution entities, and the larger independent power producers that have chosen to list rather than continuing to rely on the current sector-neutral voluntary framework, and should require IFRS S2 climate-related financial disclosure specifically for this population as a matter of priority, given the sector's direct relevance to both SDG 7 and SDG 13. In the near term, the Companies Act 2017 or the Listed Companies Code of Corporate Governance Regulations should be amended to impose an explicit board-level climate-risk oversight duty on directors of energy-sector undertakings, moving beyond the current, comparatively general sustainability-committee requirement toward a duty with defined content, and associated accountability, of the kind the EU's now-narrowed CSDDD had originally contemplated before the Omnibus rollback reduced its ambition.

In the medium term, Pakistan should consider a calibrated, sector-specific value-chain due-diligence obligation for large energy-sector undertakings, deliberately designed to avoid both the compliance-burden problems that ultimately produced the EU's own Omnibus retreat and the enforcement-gap problems this article has identified in Pakistan's existing framework a due-diligence obligation, in other words, informed by the EU's experience with both extremes rather than importing either the EU's original maximalist design or its subsequent substantially narrowed one wholesale. In the structural, longer-term stage, Pakistan should integrate NEPRA, the SECP, and the Pakistan Climate Change Authority into a coordinated oversight mechanism whether through a standing inter-agency committee with defined joint authority or through statutory amendment clarifying each institution's respective role specifically tasked with assessing whether individual energy-sector undertakings' conduct, financing structures, and emissions trajectories remain consistent with Pakistan's NDC 3.0 commitments, closing the coordination gap Part 7 identified as this article's central structural diagnosis.

A Note on Sequencing and Political Economy

The reform sequence proposed above is deliberately front-loaded toward measures within the SECP's existing regulatory authority, reflecting a judgment that these measures are more immediately achievable than the legislative amendments Tiers Two and Three would require, and considerably more achievable than the inter-agency structural integration Tier Four contemplates, which would likely require either a Cabinet-level coordination directive or fresh primary legislation to overcome the jurisdictional boundaries currently separating NEPRA, the SECP, and the Climate Change Authority. This sequencing also reflects a political-economy lesson the Leghari litigation itself illustrates: Pakistani climate and energy governance has historically advanced further and faster through targeted, judicially or administratively enforceable interventions a High Court order compelling focal-person designation, a Supreme Court order compelling the Climate Change Authority's establishment than through comprehensive legislative redesign attempted in a single step. A reform agenda for Pakistan's energy sector that followed this same pattern, prioritising discrete, administratively achievable interventions within existing institutional authority before attempting the more ambitious structural integration Tier Four describes, is more likely to achieve genuine implementation than one that treats comprehensive reform as an all-or-nothing legislative project.

Conclusion

Pakistan's legal engagement with the Sustainable Development Goals in its energy sector has produced, over the decade since Leghari v Federation of Pakistan first constitutionalised climate obligation in Pakistani law, a genuinely substantial body of climate and energy legislation, policy, and more recently corporate disclosure regulation. The Climate Change Act 2017 established an institutional architecture that, however belatedly, now operates following the Supreme Court's 2024 intervention; the Alternative and Renewable Energy Policy 2019 and successive Nationally Determined Contributions have progressively raised Pakistan's stated renewable-energy and emissions-reduction ambitions, culminating in NDC 3.0's fifty-percent reduction target and integrated adaptation, gender, and loss-and-damage provisions; and the SECP has, since 2022, built the beginnings of a genuine corporate sustainability disclosure regime, moving from voluntary guidance toward mandatory IFRS-based reporting for listed companies.

The critical assessment this article has offered is that this formal architecture continues to outpace the institutional capacity, measurement rigour, and cross-agency coordination needed to make it fully effective, and that the comparative European Union benchmark this literature has often invoked has itself proven considerably less stable, and less unambiguously aspirational, than earlier commentary assumed a lesson the EU's own 2025-2026 Omnibus retreat makes unavoidable for any analysis written after that development. The path forward for Pakistan's energy sector lies neither in further expanding formal legal ambition, which on the evidence of NDC 3.0 alone is not currently the binding constraint, nor in mechanically importing a European regulatory design that Europe's own political process has substantially reconsidered, but in the harder, less visible work of institutional coordination, measurement integrity, and enforcement capacity that this article's tiered reform roadmap has attempted to specify. Pakistan's energy sector will not achieve its Sustainable Development Goal commitments through legislative ambition alone; it will achieve them, if it achieves them, through the sustained, coordinated institutional work that ambition has so far only imperfectly compelled.

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