

Economic And Energy Challenges Of Bangladesh

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Amidst a chaotic situation created by some leading opposition political parties, the general election 2024 based on adult franchise led to Sheikh Hasina-led Awami League forming government for the fourth consecutive term. The World Economic Forum on the eve of its annual meeting has let out a report on the global economic risks. The economic risks of Bangladesh have been articulated in the WEF report alongside the risks of other countries. Uncertain energy security for the primary fuel crisis has been identified as the major risk to Bangladesh's economy. All industries especially SMEs and export-oriented industries are under severe stress in maintaining their production operation. Inflation has also created a great challenge for economic stability. The other risks identified in the report are a declining rate of growth, inequity in resources and income, a phenomenal increase in government loans, and unemployment. The World Bank keeps saying all along that due to the impacts of the COVID pandemic and other global issues the world economic growth will decline. Now the report of WEF report has reflected that concern. Center for Policy Dialogue (CPD), a leading research organization carrying out a study on 71 in-

dustries in Bangladesh, has identified the energy crisis as the major economic risk for Bangladesh. The new government requires assessing the depth and diversity of the energy crisis and planning and implementing short-, medium-, and long-term plans to combat and overcome the crisis.

Global Scenario

A lot of major developments came to notice while looking back at the events of 2023. Still, quite a few were ignored. Vulnerable populations suffered from deadly global conflicts, from Sudan to Gaza and Israel together with record-setting heat conditions, drought, wildfires, and flooding. Social discontent also impacted the economy in many countries, violent protests, riots, and strikes also affected the economy. World community with great difficulties started getting out of the destabilizing consequences of the COVID-19 pandemic and the Russia-Ukraine war. But the longer-term outlook for these developments now appears to bring further global shocks.

The world has entered 2024. At this point, the Global Rating Points Surveys (GRPS) 2023-24 results highlight a predominantly negative outlook for the world over the next

two years. This may worsen further over the next decade. Most respondents (54%) anticipated some instability and a moderate risk of global catastrophe, while another 30% expected even more turbulent conditions. The outlook is significantly more negative over the 10-year time horizon. Nearly two-thirds of the respondents expected a stormy or turbulent outlook.

Global Risk Report 2024 Highlights

- Trajectories relating to global warming and related consequences to Earth systems (Climate change).
- Changes in the size, growth, and structure of populations around the world (Demographic bifurcation).
- Developmental pathways for frontier technologies (Technological acceleration).
- Material evolution in the concentration and sources of geopolitical power (Geostrategic shifts).

Countries like Bangladesh must take into consideration the following realities while addressing economic risks and challenges.

- Environmental risks could hit the point of no return.
- As polarization grows and techno-

logical risks remain unchecked, 'truth' will come under pressure.

- Economic strains on low- and middle-income people – and countries – are set to grow.
- Simmering geopolitical tensions combined with technology will drive new security risks.
- Ideological and geoeconomic divides will disrupt the future of governance.
- Opportunities for action to address global risks in a fragmented world.

What Bangladesh Can Do?

Bangladesh is not an isolated island. It is affected by global events. But Bangladesh's economy is also affected by inappropriate planning, going for imported primary fuel ignoring its huge, discovered coal resources and potentially large petroleum resources onshore and offshore. From 90% plus reliance on its primary fuel in 2000, Bangladesh has become almost 50% dependent on imported fuel. Bangladesh's geography restricts opportunities for setting up the required infrastructure enabling the import of fuel. For global geo politics world fuel market gets volatile. Bangladesh cannot absorb the price shocks of the global market. Global events also disrupt the supply chain. All these have resulted in Bangladesh suffer-



ing from a chronic energy crisis. Despite of over 29,000 MW power generation capacity, Bangladesh suffers from managing a power market of 15,000-16,000 MW. Bangladesh cannot ensure a sustainable supply of energy and power to end users. Most of the state-owned enterprises BPDB, BPC, and Petrobangla have almost reached the stage of bankruptcy. BPDB can not pay for the power it gets from IPPs, its companies suffer in purchasing coal and liquid fuel for dollar and taka crisis, Petrobangla does not have enough money to pay for the gas it purchases from IOCs and LNGs it gets from suppliers, BPC

also has similar problems in purchasing fuel from suppliers. Experts were ringing the alarm bell for a while for Bangladesh to explore and exploit its primary fuel resources. The government took some initiatives to expedite petroleum exploration. But considering the depth and diversity of the crisis it appears too little too less. The government has signed some agreements with suppliers to increase LNG supply. But these will not happen before 2026. Some other actions taken to increase Gas and LNG supply may take years to materialize. But genuine questions are being asked whether the government will have enough money to import fuel.



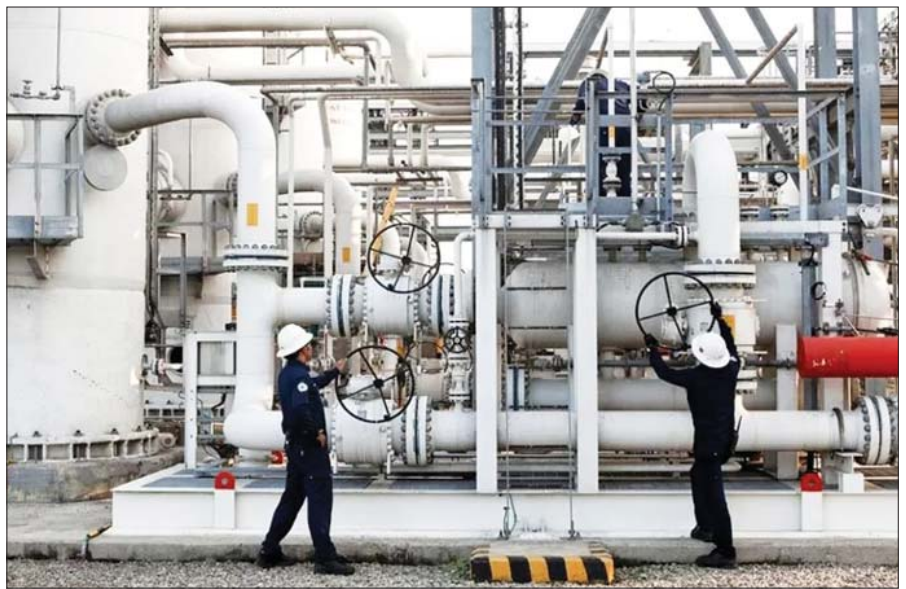
CPD survey on industries evidence that industries are now being supplied only 60% of the gas required. The industries surveyed are ceramic, steel, and textile. Most of these are export-oriented industries. These are still getting some supply, but the fuel supply situation of SMEs and medium-sized industries is even worse. On top of that power tariffs and gas prices have been increased several folds. These have increased the cost of production. Many industries have grown sick and may not be able to continue business for too long under the prevailing situation.

Apart from the fuel supply crisis, another major risk to Bangladesh's economy is inflation. The labor force has genuine reasons for claiming salaries as they need to buy essentials from the market at a much higher price. The entrepreneurs have issues in considering long-term investment plans as well. The balance in trading has also been impacted. Industrial entrepreneurs have issues in opening LCs. All these have impacted Bangladesh's export commodities losing competitiveness in the global market. This in turn will impact on foreign currency reserve of Bangladesh.

Challenges of the Government in New Term

Energy and power sector management remains the same. It is mostly for their lack of vision and poor perspective planning Bangladesh has landed on the present chaotic situation in energy system management. They must be tasked to redress this as soon as possible to cure the crisis. There is however no easy fix.

The immediate challenge of the government in the new term is addressing the deteriorating energy supply situation on a war footing. The government must assess what went wrong over the past 15 years. Why Petrobangla and EMRD could not even decide to exploit the discovered coal resource? Why did it take so long for Petrobangla to increase and expand its gas reserve? There are beliefs that Bangladesh remains one of the least explored riverine basins. We are sure that the Government must be aware of the risks and challenges of growing into an exclusive primary fuel-importing country. The government must assess quickly why PSMP 2010 and PSMP 2016 could not be followed. Many believe that even IEPMP 2023 prepared by JICA is not appropriate for Bangladesh. 2024 and 2025 will present a huge challenge for Bangladesh. The immediate challenge is confronting the emerging fuel and energy supply for the ensu-



ing irrigation season, Ramadan and summer. There is nothing the government can do dramatically to increase supply. There must be strict measures taken as austerity in use and demand side management. Lighting and cooling loads are major concerns. Gas supply is a major issue. Some fuel-efficient power plants at Meghnaghat are ready for commercial operation. There are some issues with gas infrastructure capacity constraints. GTCL is constructing a 42 inches 52 KM 52-km-long gas transmission pipeline. But another major issue is gas supply constraint. Would suggest that BPDB must review what it can do in giving priority to fuel-efficient modern plants for gas use. Petrobangla can not ensure additional gas supply immediately. It has other priority areas like Industries. Austerity and rational use of gas and electricity are the only ways. The shopping pattern in Bangladesh must change. From March till October shops must not be let open after 8 PM on weekdays. All ceremonies and extravagant lighting after sunset must stop. Government offices must observe austerity in power use. Power Load staggering in industrial areas must be strictly followed.

In addition, the government must provide additional fiscal incentives for solar especially rooftop solar. In

two years, it is possible to add up to 2,000 MW rooftop solar which can ease peak load during the day and if import duties of batteries are rationally adjusted can even contribute after sunset.

Apart from short-term contingency measures government must plan and implement midterm measures. The power transmission system must be updated as soon as possible to evacuate nuclear power from Rooppur, and some grid-connected solar power. IOCs must be engaged alongside BAPEX for onshore exploration. Stranded gas at Bhola must be evacuated to the national grid without further delay. As a long-term measure, offshore bidding must not be delayed. We are not sure whether RLNG import using Excelerate proposed LNG infrastructure at deep water of the coast of Kuakata or RLNG import from across the border will be feasible options.

In conclusion, we will also suggest reviewing the present management structure of the bureaucracy-dominated energy sector. The dynamism of Petrobangla companies in championing growth and development of the energy sector has virtually stalled. This is the major reason for the present chronic energy crisis.

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