



# From Distant War To Local Energy Crisis: Bangladesh Must Act Now

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The latest escalation in the Middle East involving the United States, Israel, and Iran has once again demonstrated how quickly geopolitical conflicts can disrupt global energy markets. On February 28, the United States and Israel launched a coordinated attack on Iran, targeting key military and political leaders as well as strategic infrastructure. Iran responded by launching retaliatory strikes on U.S. military installations and diplomatic facilities across the Middle East. More critically, Tehran moved to close the Strait of Hormuz, one of the most vital maritime energy corridors in the world. The conflict has now continued for nearly two weeks, and its consequences are increasingly being felt across the global economy, particularly in energy markets.

The disruption of the Strait of Hormuz immediately triggered a shock in global oil and gas markets. Nearly 21 million barrels of oil, about one-fifth of global supply and roughly 20 percent of the world's LNG shipments pass through this narrow waterway every day. Once shipping activity slowed dramatically, energy supply chains across the world were affected. Global oil prices quickly surged from around \$67 per barrel before the war to nearly \$97, briefly crossing the \$100 mark as markets reacted to supply uncertainty. According

to several energy analysts, if the conflict continues or further escalates, oil prices could potentially climb to \$150 per barrel, which would have far-reaching consequences for the global economy.

However, the disruption of the Strait of Hormuz is not the only factor threatening global energy security. The war has also intensified risks to energy infrastructure across the Gulf region. Iranian drone and missile attacks targeting energy facilities in countries such as Saudi Arabia, Qatar, and the United Arab Emirates have temporarily halted operations in several oil refineries, LNG plants, and export terminals. These attacks have interrupted refining activities and reduced LNG export capacity, adding further pressure to already strained global gas markets.

At the same time, several major oil-producing countries in the Gulf have reduced production or temporarily suspended exports as storage facilities fill up and shipping routes become increasingly uncertain. Major exporters such as Iraq and Kuwait have faced delays in shipping crude oil to international markets. At one stage, shipments of nearly 140 million barrels of oil were delayed, equivalent to approximately 1.4 days of global demand. These disruptions highlight how conflict in the Middle East can

rapidly tighten global supply and push prices upward.

Countries around the world have already begun responding to the crisis. Vietnam increased diesel and petrol prices by 21 percent, while Pakistan saw petrol prices rise by nearly 20 percent, reaching around 320 rupees per liter. Governments across Asia are now exploring alternative energy supply routes and increasing their fuel reserves to reduce the impact of supply disruptions. The Group of Seven finance ministers has also discussed the possibility of releasing emergency oil reserves to stabilize global markets.

The current situation also echoes the global energy shock triggered by the Russia-Ukraine War. That conflict severely disrupted natural gas supplies to Europe and caused a dramatic surge in LNG prices across global markets. As European countries competed aggressively for LNG cargoes, many developing economies, including Bangladesh, struggled to secure sufficient fuel supplies. The present conflict in the Middle East risks creating a similar situation, particularly if disruptions to LNG exports from the Gulf persist.

For energy-import-dependent countries, especially in Asia, the implications of this war are significant. Bangladesh, which relies heavily on imported fossil fuels and maintains limited strategic reserves, faces particular vulnerability. The ongoing conflict, therefore, not only threatens immediate fuel supply stability but also raises urgent questions about how Bangladesh should strengthen its long-term energy security strategy in an increasingly uncertain geopolitical environment.

Bangladesh's energy sector has become increasingly dependent on imported fossil fuels in recent years. Nearly 92 percent of the country's fuel oil requirements are imported, mostly from Middle Eastern producers such as Saudi Arabia and the United Arab Emirates. On the gas side, Bangladesh imports about five to six million tonnes of LNG annually, primarily from Qatar and Oman. Diesel plays a particularly critical role in the national economy. Approximately 70 percent of the fuel



supplied by the Bangladesh Petroleum Corporation consists of diesel, which is widely used in agriculture, transportation, and industrial activities. As global diesel prices surged from \$88 to around \$146 per barrel following the outbreak of the war, Bangladesh faced the prospect of significantly higher import costs. Domestic refining capacity also remains limited. Eastern Refinery Limited supplies only a small portion of the country's diesel demand by refining crude oil imported mainly from Saudi Arabia and the United Arab Emirates. After the war began, supplies of crude oil to the refinery were temporarily disrupted. Current reserves can sustain refinery operations only until the middle of the coming month. Bangladesh also imports a large share of refined petroleum products from countries such as Singapore, China, Malaysia, Indonesia, Kuwait, Thailand, Oman, and India. The government has already begun exploring additional sources to avoid potential supply disruptions.

### Impact on Key Sectors in Bangladesh

The energy crisis triggered by the conflict could significantly affect Bangladesh's industry, agriculture, transport, and remittance sector. Manufacturing industries, particularly textiles, garments, steel, cement, and fertilizer production, depend heavily on a stable electricity and gas supply. Bangladesh has an installed electricity generation capacity of more than 29,000 megawatts, yet the full capacity is rarely utilized due to gas shortages and maintenance issues. More than 6,000 megawatts of generation capacity remains unused because of insufficient gas supply. During peak demand, the

effective generation capacity falls to around 18,600 megawatts.

When global fuel prices rise, the cost of LNG, furnace oil, and coal imports increases, leading to higher electricity generation costs. This often results in load-shedding, forcing factories to reduce production hours or temporarily shut down operations. Such disruptions can weaken Bangladesh's export competitiveness, particularly in the ready-made garment sector. At the same time, higher energy costs in global markets are increasing prices of basic goods in major consumer markets such as Europe, North America, and Australia. As households in those countries spend more on essentials, demand for non-essential products like garments may decline, potentially reducing export orders for Bangladesh.

Transportation is one of the sectors most immediately affected by fluctuations in fuel prices. In Bangladesh, diesel remains the primary fuel used by trucks, buses, and other commercial transport vehicles. When international diesel prices rise, domestic transportation costs increase accordingly. Higher fuel costs raise the expense of moving goods across the country, which in turn increases the prices of food products and other consumer commodities. As a result, both passenger transport and the distribution of essential goods become more expensive, contributing to broader inflationary pressure within the economy.

The ongoing energy crisis triggered by the Middle Eastern conflict has also begun to disrupt the country's domestic fuel distribution system. In recent days, long queues have been observed at CNG refueling stations in major cities

as drivers struggle to access sufficient gas supplies. Many vehicle owners are forced to wait for hours to refill their tanks, reflecting the mounting pressure on the country's already limited gas resources. In response, the government has introduced emergency fuel management measures to control demand and ensure a more balanced distribution of available fuel. Under the new policy, private vehicle owners are permitted to purchase only 10 liters of petrol or octane per day. Although this restriction is intended as a temporary measure to prevent shortages and panic buying, it has created considerable inconvenience for commuters, transport operators, and daily wage earners who depend heavily on road transport for their livelihoods. The situation illustrates how global energy shocks can quickly translate into everyday disruptions in an energy-import-dependent economy like Bangladesh, affecting mobility, economic activity, and the stability of supply systems.

Agriculture in Bangladesh is also highly dependent on diesel fuel, particularly for irrigation. According to the Department of Agricultural Extension, the country currently operates over 754 diesel-powered deep tube wells, more than 1,039,000 shallow tube wells, and about 184,000 low-lift pumps. Reports from rural areas indicate that diesel shortages have already begun affecting farmers. Many farmers must wait for long hours at filling stations, while some retailers are charging Tk 8–10 extra per liter due to limited supply. If the diesel shortage persists during critical irrigation periods, agricultural production could be affected. Reduced crop output would inevitably push up food prices and place additional pressure on the country's food security.

The energy crisis also has direct consequences for everyday life. Rising fuel prices increase transportation costs, which in turn raise the prices of essential commodities such as rice, vegetables, and consumer goods. Higher energy costs also raise production expenses for agricultural products, processed food, and manufactured items. As a result, households face higher living costs while wages remain relatively stagnant. For

low- and middle-income families, this can significantly reduce purchasing power.

Rising fuel prices place additional pressure on Bangladesh's macroeconomic stability. As energy imports become more expensive, the country must spend more foreign currency, putting pressure on foreign exchange reserves. At the same time, energy-driven inflation increases the cost of living and can weaken economic growth. Bangladesh imports about 62 percent of its total energy demand, making the economy particularly vulnerable to global price shocks. The conflict may also indirectly affect remittance flows. A significant share of Bangladesh's remittances originates from migrant workers in the Middle-Eastern countries. If regional economies slow down due to prolonged conflict, employment opportunities for migrant workers could decline, potentially affecting remittance inflows over time.

#### **The Way Forward: Lessons for Bangladesh**

Although the Bangladesh government has already undertaken some immediate initiatives to tackle the energy crises, however, these are not adequate. The current crisis requires strengthening Bangladesh's energy security strategy through both short-term and long-term measures.

#### **Bangladesh can take some initiatives in the short term**

In the short term, Bangladesh must ensure an uninterrupted fuel supply. Diversifying import sources is essential. In addition to traditional Middle Eastern suppliers, Bangladesh should explore alternative suppliers such as India, China, Malaysia, Indonesia, and even African producers, including Nigeria.

The government should also ensure smooth financing for fuel imports. State-owned banks and foreign financial institutions that open letters of credit for fuel purchases must be supported with adequate foreign currency liquidity.

Managing domestic fuel prices carefully is another priority. Bangladesh Petroleum Corporation recorded profits of about Tk 4,700 crore in the

fiscal year 2024-25, which may allow the government to temporarily absorb part of the price increase rather than immediately passing the full burden onto consumers.

#### **Bangladesh can take some initiatives in the long term**

In the long term, Bangladesh must adopt a more resilient energy strategy. One important step is building strategic fuel reserves capable of supporting the country during prolonged supply disruptions. Currently, Bangladesh maintains reserves sufficient for roughly 15–20 days of consumption, which may not be adequate during major geopolitical crises.

Expanding renewable energy is also essential. Solar-powered irrigation systems could significantly reduce diesel consumption in agriculture, while investments in rooftop solar and wind energy could diversify the national energy mix.

Bangladesh should also consider investing in overseas oil and gas fields to secure long-term energy supplies. Strategic participation in global energy infrastructure, such as LNG carriers and oil tankers, could further strengthen supply security.

Finally, encouraging private and foreign investment in energy infrastructure will be crucial for building a more resilient energy system.

One of the most important long-term strategies for strengthening energy security in Bangladesh is to accelerate domestic gas exploration and production. Bangladesh still possesses significant untapped natural gas potential both onshore and offshore, particularly in the Bay of Bengal region. Increasing exploration efforts through the national energy corporation Petrobangla and attracting international energy companies to participate in offshore bidding rounds could significantly improve the country's domestic gas supply in the long run. **EP**

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