

Power Tariff Hike Now Unavoidable

Given the current state of energy supply, people may have to brace for a difficult summer. If temperatures rise sharply or weather conditions turn unfavorable, load-shedding is likely to continue. The earlier three-year roadmap to gradually reduce subsidies in the power sector was a sensible step. But the decision to pause tariff adjustments for a prolonged period has made the situation harder to manage. Now, the gap between the cost of producing electricity and the price consumers pay has widened significantly. Unless prices are gradually aligned with actual costs, unpaid bills will keep piling up, and the government will struggle to fund both energy imports and development priorities.

At the same time, ensuring a steady power supply will depend heavily on securing enough fuel. Coal-fired plants, which are designed to provide stable baseload power, must be kept running at full capacity, and that requires reliable coal imports. Increasing gas supply would certainly help, but domestic production is limited, and LNG import capacity remains constrained. In this situation, while some load-shedding may be unavoidable, reliance on expensive oil-based power should be kept to a minimum to avoid adding further financial pressure on an already strained system.

Energy and environmental expert and former BUET dean Professor Dr. Ijaz Hossain said this in a conversation with Energy & Power Editor Mollah Amzad Hossain.

The current arrears in the power sector stand at Tk 56,000 crore. If this liability is not resolved, ensuring fuel supply for power generation will be difficult. What should be done?

Look, the current production cost per unit of electricity is Tk 12.10, while it is being sold at the wholesale level for Tk 7.04. This means BPDB is incurring a loss of Tk 5.06 per unit. As a result, the organization's annual loss exceeds Tk 52,000 crore.

The government has allocated Tk 37,000 crore in subsidies for the power sector this year, but there will still be a significant deficit. Therefore, there is no alternative to adjusting tariffs. The previous Awami League government had taken steps to gradually align prices with production costs over three years, but the interim government canceled that initiative and did not adjust electricity and fuel prices for 18 months.

Initially, they cleared some dues in the power and energy sector, but before leaving office, they left about \$5.0 billion in arrears for the new government. As a result, the current government—only two months into its tenure—has fallen into a major crisis. This crisis has been further exacerbated by the U.S.–Israel–Iran conflict, which has forced the government to spend an additional Tk 36,000 crore in the energy sector.

Therefore, it will not be easy to quickly clear these arrears and move toward full power generation to meet demand. At the same time, continuing high subsidies in the power sector will hinder the government's ability to finance development activities.

So, there is no alternative but to adjust prices and reduce the subsidy burden.

BPDB has proposed increasing the wholesale tariff by Tk 1.20 per unit. It is said that a Tk 1.0 increase per unit would reduce annual losses by Tk 10,000 crore. At the consumer level, an increase of Tk 1.80 per unit has been proposed for higher-end users. A committee led by the finance minister has been formed to review this. What is your view?

There was no need to form a committee to justify tariff increases. The financial condition of the power sector has reached a point where there is no alternative but to raise prices.

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management, ensuring efficient use of fuel, and better operational practices.

In the current global context, the standard cost of producing one unit of electricity is about 1 US cent (roughly Tk 12), and Bangladesh is close to that level. It should be remembered that depreciation of the taka against the US dollar has a direct impact on the power and energy sector and plays a major role in increasing costs. Over the past five years, the taka has depreciated by more than 40% against the dollar. This factor cannot be ignored in tariff adjustment discussions, especially since around 60% of our energy and power supply depends on imports.

To keep load-shedding as low as possible during summer while minimizing oil-based generation, what preparations should the government take?

This is very difficult. Once demand exceeds 16,000 MW, at least 10% or more electricity has to be generated from furnace oil. Although our gas-based generation capacity exceeds

12,000 MW, the gas supply is less than half of what is required. This supply may decrease further in the future.

Therefore, coal supply must be ensured so that coal-based baseload power plants can operate at around 85% load. At the same time, steps must be taken to ensure a full supply of imported electricity from India. To guarantee this, payments for coal and electricity imports must be made regularly.

In addition, to ensure gas-based baseload plants can operate during peak demand, a third FSRU (Floating Storage and Regasification Unit) should be installed within one year, and a fourth within two years. Even if these FSRUs are used only during peak demand periods, Bangladesh will benefit financially.

The physical startup of the Rooppur Nuclear Power Plant has started. It is being said that electricity supply to the grid will begin from next August. What is your view?

This is a major achievement. However, the current government must be extremely careful with this power plant to ensure that electricity can be supplied to the grid by August. Efforts must also continue so that the full 2,400 MW capacity of Rooppur can be connected to the grid by 2028. This will reduce pressure on the primary fuel supply for power generation and help decrease the use of oil.

Some initiatives are underway to increase domestic gas exploration and production. What should be done in the medium term to boost local supply?

Look, over the past 20 years, we have not achieved any significant success in oil and gas exploration. About half of the 50-well drilling program has been completed, but without any major discoveries. Another 100-well drilling program is waiting to begin. It is difficult to say how successful that will be.

However, the government must start working with a clear goal of achieving success in domestic oil and gas exploration within the next two years. For this, alongside domestic investment, the rapid attraction of foreign investment must be ensured. Exploration should begin simultaneously onshore and offshore.

Final Draft Production Sharing Contracts (PSCs) for both land and offshore areas are already prepared. These should be approved by the cabinet, and initiatives must be taken quickly to attract international oil companies (IOCs). However, our tendering process is very lengthy. Therefore, alternative approaches should be explored to bring IOC investments under PSCs more efficiently.

It is important to determine the extent of domestic gas resources before finalizing plans to expand LNG import infrastructure. Otherwise, a gas-dependent economy could face serious challenges.

Amid the energy crisis, prices of petrol, diesel, and octane have increased. How do you see it?

Price increases were inevitable. Not long ago, global crude oil prices were around \$70 per barrel; now they are about \$110. The rise in crude oil prices has also increased the price of refined fuels in the global market. For example, diesel prices exceeded \$200 per barrel at one point, although they have now declined somewhat.

As a result, the country has to import both crude and refined fuels at higher prices. Diesel, in particular, has the highest demand in the market, and only about 15% of it is supplied from domestic sources—the rest must be imported. Therefore, even after increasing prices, subsidies are still required for diesel sales.

However, supply must now be increased to reduce queues at fuel stations, which have already started to decrease.

Bangladesh's dependence on imported power and energy is now around 60%. What should the government do to reduce this dependency?

As I mentioned earlier, effective initiatives for gas exploration must be taken. Alongside domestic efforts, the government must urgently develop strategies to ensure foreign investment in this sector.

At the same time, power generation capacity from renewable sources must be increased. There is no alternative to adopting realistic and implementable plans for this.

On the other hand, efforts to improve energy efficiency and conservation

must be strengthened. In fact, due to the Middle East conflict, there has been a positive start in energy conservation. This momentum must be maintained. Above all, long-term planning and implementation strategies must be finalized to ensure efficient energy use.

The government has announced a plan to add 10,000 MW of renewable energy capacity by 2030. How do you view this?

Look, I do not believe in fixed numbers or targets—they are often set for political milestones. However, the government's initiative is commendable. To achieve it, necessary policies, investment plans, and strategies must be finalized. Even if the exact target is not met, progress can certainly be achieved.

The interim government canceled 37 Letters of Intent (LOIs) for renewable energy projects with a total capacity of 5,800 MW, which created a lack of confidence among investors. The current government has initiated a review. What do you think?

This is a good initiative. These projects should be properly reviewed. If they had continued, Bangladesh could have made significant progress in renewable energy capacity.

The cancellation caused financial losses for many entrepreneurs and undermined investor confidence. Even if the review process moves forward with viable projects, I am uncertain how much confidence can be restored—but the initiative itself is positive.

Bangladesh has large coal reserves, but extraction has not been possible due to political controversy. What should the current government do?

There are technical options to extract domestic coal while minimizing environmental, ecological, and social damage. However, coal has now become a political football.

If the current government wants energy self-sufficiency, it must engage all political parties and reach a consensus on coal extraction. Extracting and using domestic coal for power generation would indeed make a significant contribution to ensuring the country's energy security. 