

OFFSHORE PETROLEUM RESOURCES WOULD BE A GAME CHANGER FOR BANGLADESH



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The success of the bidding round will largely depend on how effectively the government manages geopolitical sensitivities, ensures transparency and accountability, and guarantees equal treatment for all bidders.

Against the backdrop of a chronic energy crisis, the Bangladesh government, led by the BNP alliance, has launched a new Production Sharing Contract (PSC) bidding round for offshore exploration in the Bay of Bengal. The initiative is considered a major step toward strengthening the country's long-term energy security through the discovery and development of offshore petroleum resources.

The updated Model PSC (MPSC) 2026 includes a range of incentives aimed at attracting international oil companies (IOCs) to invest in both shallow and deep-sea blocks. Given continuing volatility in global oil and gas markets, along with growing regional energy demand, the revised terms are expected to encourage participation from major global energy companies.

However, the success of the bidding round will largely depend on how effectively the government manages geopolitical sensitivities, ensures transparency and accountability, and guarantees equal treatment for all bidders. Offshore exploration and development typically require six to seven years before production can begin. Some deepwater blocks are located nearly 400 kilometers

from the coast, and major discoveries may require subsea pipelines or Floating Liquefied Natural Gas (FLNG) facilities, potentially extending development timelines to eight to ten years.

Even so, successful offshore gas discoveries could become a game-changer for Bangladesh's medium-term energy security.

Bangladesh secured sovereign rights over a vast maritime area in the Bay of Bengal following international arbitration, gaining control over an offshore region nearly equal in size to its land territory. Geological assessments suggest strong hydrocarbon potential in the offshore basin. Neighboring India and Myanmar have already discovered substantial offshore gas reserves and are benefiting economically from them.

Bangladesh, however, delayed offshore exploration for years due to policy hesitation, overly conservative approaches, and confusion created by sections of civil society lacking a clear understanding of PSC arrangements. Growing geopolitical competition among global powers such as the United States, China, and India in the Bay of Bengal has also added complexity.

Understanding Production Sharing Contracts

A PSC is essentially an agreement between a state-owned enterprise and an international oil company for the exploration and development of petroleum resources. Ownership of the resources remains with the state.

Under the arrangement, IOCs undertake exploration at their own risk and expense. If commercially viable reserves are discovered, the IOC recovers its investment through a portion of production known as “cost petroleum,” while the remaining “profit petroleum” is shared with the state-owned enterprise according to an agreed formula.

Pricing mechanisms are a critical component of PSC agreements, with market risks shared between the IOC and the state entity. Therefore, PSCs do not transfer ownership of national resources to foreign companies. Rather, IOCs serve as investors, developers, and operators.

It is worth noting that Chevron currently accounts for nearly 60 percent of Bangladesh’s total gas production from three gas fields. Many of the country’s major gas fields—including Titas, Habiganj, Bakhrabad, Rashidpur, Bibiyana, Kailashtila, and Sangu—were discovered by international oil companies.

Bangladesh has not concluded any major successful onshore PSC agreements since 2000, and several offshore PSC initiatives were also poorly managed. Much of the current gas crisis could have been avoided if exploration efforts had continued through partnerships between IOCs and BAPEX.

Key Features of Offshore Bidding Round 2026

Earlier offshore bidding rounds received weak responses due to inadequate fiscal and financial incentives. The updated MPSC 2026 attempts to address those concerns through more attractive commercial terms.

The bidding round covers all 26 offshore blocks—11 shallow-sea (SS) blocks and 15 deep-sea (DS) blocks. Separate applications are required for each

category, although bidders may apply jointly for two adjacent deep-sea blocks under a single contract.

Companies may submit bids individually or through consortium arrangements. Separate work programs and bank guarantees must be submitted for each deep-sea block, even under joint applications. Each block will be evaluated independently.

The deadline for bid submission is November 30, 2026.

Prequalification Requirements

For shallow-sea blocks, bidders must demonstrate a minimum production experience of 5,000 barrels of oil per day or 75 million cubic feet of gas per day from at least one offshore acreage.

For deep-sea blocks, the requirement rises to 10,000 barrels of oil per day or 100 million cubic feet of gas per day. Bidders must also have at least one international exploration and production experience outside their home country.

The bid package includes an information package, promotional package, and data package. These provisions are broadly consistent with PSC frameworks used in countries such as India, Myanmar, Thailand, and Vietnam.

Key Features of Bangladesh Offshore MPSC 2026

Contract Feature	Description
Exploration Period	Total Exploration Period-9 Years: Initial Exploration Period- 6 Years [4 (Geology+ Seismic) + 2 (Drilling)] Subsequent Period-3 Years
Mandatory Work Program	Seismic Only
Biddable Work Program	2D/3D seismic, drilling etc.
Cost Recovery	100% cost recovery with a yearly cap of 75% for both Shallow and Deep Sea blocks.
Total Exploration Period-9 Years: Initial Exploration Period- 6 Years [4 (Geology+ Seismic) + 2 (Drilling)] Subsequent Period-3 Years	a) R-factor (Sliding Scale) based. Cumulative Net Revenue b) R-factor = ----- Cumulative Costs c) Shallow Sea (SS) Blocks: 40% to 65% (Biddable upper & lower limits). d) Deep Sea (DS) Blocks: 35% to 60% (Biddable upper & lower limits).
Carried Interest	10% for BAPEX (Shallow Sea blocks)
Import Duty on Equipment	No duty for equipment and machinery imported for petroleum operations during exploration, production and development phases.
Corporate Income Tax	Contractor’s Corporate Income Tax liability will be borne by Petrobangla.
15. Expropriation and Stabilization	Protection of investment through stabilization and expropriation

Attractive Incentives

Previous PSC terms related to gas pricing, third-party sales, export provisions, pipeline tariffs, and bonus structures failed to attract sufficient IOC interest. The updated framework offers more flexible and commercially attractive terms.

The revised provisions on gas pricing, third-party sales, and export rights are

expected to address investor concerns regarding market risks. Bangladeshis should not be overly concerned about export provisions, as domestic gas shortages and rising future demand are likely to absorb most future production within the country.

CONTRACT FEATURE	DESCRIPTION
GAS PRICE	Gas price linked with international benchmark Brent crude at 10.5% for Shallow Sea (SS) Blocks and 11% for Deep Sea (DS) Blocks, with Floor-Ceiling based on the lowest and highest average Brent prices of the preceding five years.
OIL PRICE	Oil price will be determined on the basis of the fair market value prevailing in South and South East Asia.
THIRD PARTY SALES	Contractor has the option to sell Contractor's share of Natural Gas produced from offshore blocks, in the domestic market to a third party, at a negotiated price, subject to Petrobangla's right of first refusal.
GAS EXPORT	Contractor shall have the right to export any marketable Natural Gas subject to Petrobangla's right of first refusal and non-availability of a domestic buyer.
PIPELINE TARIFF	Mutually agreed pipeline tariff provision introduced for both Shallow and Deep-Sea Blocks, payable by the buyer, considering distance, water depth, and gas volume to support pipeline investment.

Bid Evaluation and Negotiation

Petrobangla and the Energy and Mineral Resources Division (EMRD) must ensure a transparent and competitive evaluation process that builds investor confidence.

The pricing of data packages should also be reviewed to encourage broader participation rather than maximize short-term revenue from data sales. Government agencies should proactively engage with foreign missions and international investors.

Bangladesh could organize a major roadshow in Dhaka, inviting potential investors and development partners. Diplomatic missions in the United States, the United Kingdom, Australia, France, the Netherlands, Russia, Norway, China, India, Malaysia, Indonesia, Qatar, the UAE, and Saudi Arabia should actively encourage companies from their respective countries to participate.

BAPEX could also consider forming partnerships with leading Bangladeshi business groups for joint bidding in offshore blocks, helping develop domestic expertise alongside international operators.

Reports suggest that ExxonMobil is particularly interested in all 15 deepwater blocks. Bangladesh has also entered into a long-term energy cooperation framework with the United States. The government must ensure that the open bidding process remains free from geopolitical complications that could discourage participation from companies based in Russia, China, or elsewhere.

Given the Bay of Bengal's strategic importance, Bangladesh must pursue smart and balanced energy diplomacy.

Conclusion

Bangladesh should engage intensively with potential investors through proactive and strategic energy diplomacy. In addition to pre-bid meetings, a well-organized international roadshow should be held in Dhaka, preferably between August and September.

Based on investor feedback, minor adjustments to the MPSC framework may still

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be considered. Offshore exploration requires multi-billion-dollar risk investments, and investors must feel confident about the commercial environment and potential returns.

Bangladesh's past PSC experiences, including the Scimitar and Niko controversies, damaged investor confidence. The government must now work proactively with successful bidders to ensure transparent and mutually beneficial agreements.

Offshore gas exploration is critical for Bangladesh's medium-term energy security. At the same time, the government should also consider launching a fresh PSC bidding round for onshore exploration areas. **EP**

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