

Factories Need Energy, Not Promises

Bangladesh's ready-made garment (RMG) industry, the country's largest export earner, is confronting one of its most serious operational challenges in years. Escalating energy costs, persistent gas shortages, and unreliable electricity supplies are eroding competitiveness at a time when manufacturers are also facing tighter sustainability requirements and intense global competition. Although the industry accepted higher gas tariffs in return for assurances of improved supply, many factories continue to struggle with production disruptions.

In an interview with Energy & Power Editor Mollah Amzad Hossain, BGMEA President and Rising Fashion Ltd. Managing Director Mahmud Hasan Khan discusses why restoring reliable energy supplies has become essential to protecting exports, attracting investment, and sustaining millions of jobs.

How do you assess the current state of Bangladesh's ready-made garment industry? Many believe the sector has been under severe pressure over the past three to four years and is unable to utilize its full production capacity. What is the way forward?

The garment industry is currently facing multiple challenges, but the most serious are high gas and electricity prices, coupled with the inability to obtain gas supplies in line with demand despite paying higher tariffs. At the same time, there is no guarantee of uninterrupted, quality electricity supply.

These factors are steadily eroding Bangladesh's competitiveness in the global apparel market. Rising financing costs and uncertainty over energy availability have become the industry's biggest obstacles. Many factories have already closed, while others are unable to operate at full production capacity because of inadequate gas and electricity.

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The only sustainable solution is to ensure an adequate gas supply at the required pressure while guaranteeing reliable, high-quality electricity. We have repeatedly discussed these issues with successive governments and presented our recommendations, but little progress has been made. After the current government assumed office, we again highlighted the severity of the crisis.

It is important to understand that financial incentives alone cannot revive struggling industries if reliable energy is unavailable. Without addressing the energy shortage, more factories will become financially distressed and eventually shut down.

Bangladesh's garment industry has invested heavily in energy efficiency and green energy. Many say these investments have been driven by buyers' sustainability requirements, yet garment prices continue to decline. How is the industry responding?

I would not say that buyer pressure is the primary reason behind these investments. The industry has invested in energy efficiency mainly to reduce rising production costs.

Manufacturers serving the domestic market can often pass higher energy and financing costs on to consumers. Export-oriented garment manufacturers do not have that luxury. We must compete with other exporting countries while maintaining competitive prices in the global market.

As a result, factories are investing continuously in energy-efficient technologies. Today, before purchasing machinery, motors, or industrial equipment, manufacturers carefully assess their energy performance. We will continue investing in modern technologies to improve efficiency and remain globally competitive.

Gas and electricity prices continue to rise, while reliable electricity remains difficult to



Mahmud Hasan Khan

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obtain. Despite paying significantly higher gas tariffs, industries say gas supply has actually declined. How is this affecting production? Has BGMEA conducted any assessment?

The gas shortage is placing industries under increasing pressure every day. Many gas-fired captive power plants cannot operate because sufficient gas is unavailable, forcing factories to switch to diesel generators. This has dramatically increased operating costs.

According to Petrobangla, the country's daily gas demand is around 4,200 million cubic feet (MMCFD). However, total supply—including domestic production and imported LNG—is only about 2,600 to 2,700 MMCFD. At the same time, officials from the Energy Division have acknowledged that domestic gas production is declining by roughly 150 MMCFD each year.

Currently, Bangladesh's two operational Floating Storage and Regasification Units (FSRUs) have a combined regasification capacity of about 1,100 MMCFD. Although efforts are underway to increase domestic gas production, the industrial sector cannot afford to wait years for those projects to deliver results.

We accepted higher gas prices after the government assured us that supply would improve. Instead, industries are paying more while receiving less gas. This situation is forcing manufacturers to rely on expensive alternative fuels, weakening Bangladesh's competitiveness in international markets. Moreover, many factories are unable to utilize their full production capacity because of energy shortages.

There is no alternative to ensuring adequate gas and electricity supplies at competitive prices if Bangladesh wants to protect its existing industries, attract new investment, sustain exports, and preserve millions of jobs. The government must treat this challenge as a national priority and act with the urgency of an emergency response.

Industry leaders have repeatedly called for the rapid installation of two additional Floating Storage and Regasification Units (FSRUs). Why is this so important?

We have consistently urged the government to install two more FSRUs as quickly as possible to address the country's growing gas shortage. Unfortunately, that has not happened. We strongly request the current government to begin work on these projects without further delay. If the gas crisis continues, the textile and ready-made garment (RMG) sectors will face even greater challenges.

BGMEA has said that rising energy prices are reducing the competitiveness of Bangladesh's garment industry compared with countries such as Vietnam. How can the sector overcome this challenge?

Bangladesh is gradually losing its competitive edge against other garment-exporting countries, and I believe the outlook could become even more difficult. Because of inadequate gas supplies, many industries have been forced to switch to LPG. However, LPG costs nearly three times as much as natural gas, even at the current gas tariff.

The government must respond with the urgency of a national emergency. At the same time, the cost of financing must be reduced to help industries remain competitive.

The government increased gas prices with the assurance that supply would improve. We are paying the higher prices, but the gas shortage has actually worsened. Entrepreneurs alone cannot solve this problem. The government must respond with the urgency of a national emergency. At the same time, the cost of financing must be reduced to help industries remain competitive.

Domestic gas production continues to decline, making increased LNG imports unavoidable. Since LNG is more expensive, higher gas prices may also be inevitable. How is the RMG sector preparing for this reality?

No doubt, increasing LNG imports will raise the average cost of gas. However, industries cannot survive without a reliable gas supply. It is also important to note that industrial and captive power users are already paying the highest gas tariffs.

In my opinion, there is little room to increase gas prices for industries further, because they are already paying above the average cost of supply. To protect employment and sustain exports, the government should maintain the current tariff while ensuring an uninterrupted gas supply according to industrial demand.

Bangladesh currently depends on imports for around 62.5 percent of its primary energy. Experts argue that the country must invest heavily in domestic gas and coal exploration while expanding renewable energy. Will BGMEA raise these issues with the government?

The heavy dependence on imported energy is the result of previous governments' failure to adopt effective policies for exploring and utilizing

domestic gas and coal resources.

At present, however, there is no alternative to importing gas if we want to sustain existing industries and encourage new investment. At the same time, alternative energy sources should be used in other sectors so that more natural gas can be supplied to industries.

The industrial sector is already investing in renewable energy, but renewables alone cannot meet the country's total energy demand. The government must take the lead in resolving this crisis.

We have already discussed these issues with the Energy Minister and hope to meet the Prime Minister soon to seek immediate action to address the energy shortage affecting industries. We believe the government will take the necessary steps to support industrial growth and create new employment opportunities.

European markets are tightening carbon footprint requirements, with exporters expected to significantly reduce emissions by 2030. Discussions are also continuing under international climate negotiations. Is BGMEA preparing for these new standards ahead of COP31?

There is no alternative to complying with the environmental requirements of our export markets specially in Europe. Currently, only a limited amount of renewable energy is being used in the garment industry. To meet the 2030 targets, around 30 percent of the energy used in production will need to come from renewable sources.

Textile mills generally have large factory premises, making rooftop solar installations more practical. However, most garment factories are vertically developed, leaving very limited rooftop space for large-scale solar generation.

As a result, garment manufacturers will need to purchase renewable electricity from utility-scale solar plants through Corporate Power Purchase Agreements (CPPAs) under the Merchant Power Policy. However, the proposed wheeling and compensation charges of Tk 2.75 per unit are too high. Unless the Bangladesh Energy Regulatory Commission (BERC) reduces these charges to a reasonable level, many garment manufacturers will not be able to benefit from the scheme. In that case, companies may have to rely on purchasing green certificates or similar instruments to meet buyers' sustainability requirements. ■