RUNNING OUT

The race to secure Bangladesh's energy future

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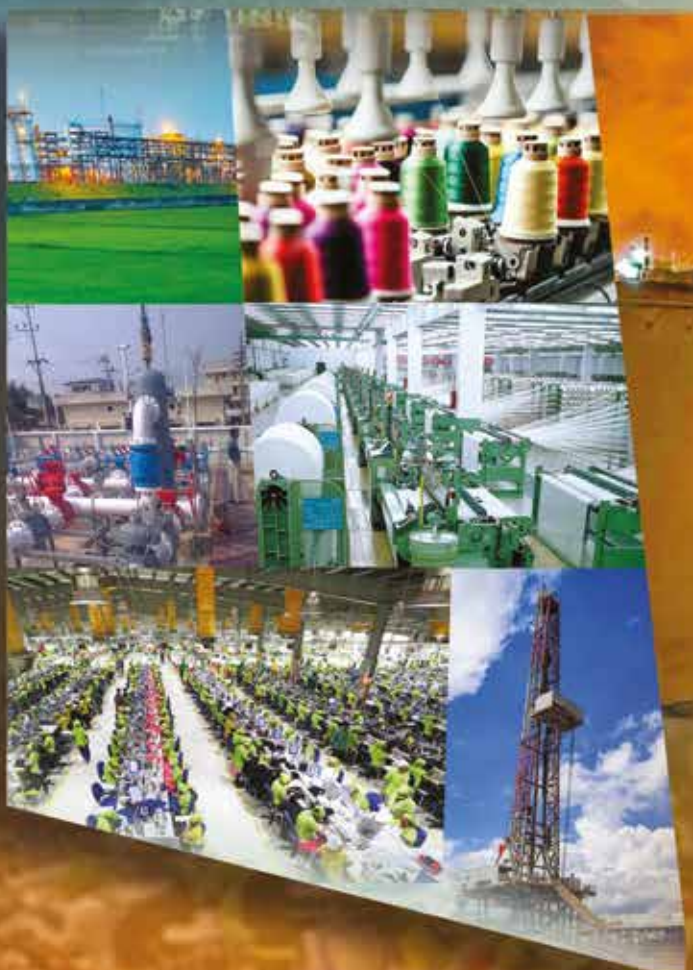

Bangladesh's worsening energy crisis is rapidly becoming a structural threat to economic growth rather than a temporary supply disruption. Declining domestic gas production, delayed LNG infrastructure, and heightened geopolitical risks are widening the energy deficit while undermining industrial competitiveness. Although exploration programs and import plans continue, they are unlikely to reverse the trend before 2030. Without decisive action to expand domestic gas production, accelerate LNG infrastructure, and reform energy governance, Bangladesh faces prolonged supply shortages, slower investment, and mounting pressure on its broader economy.

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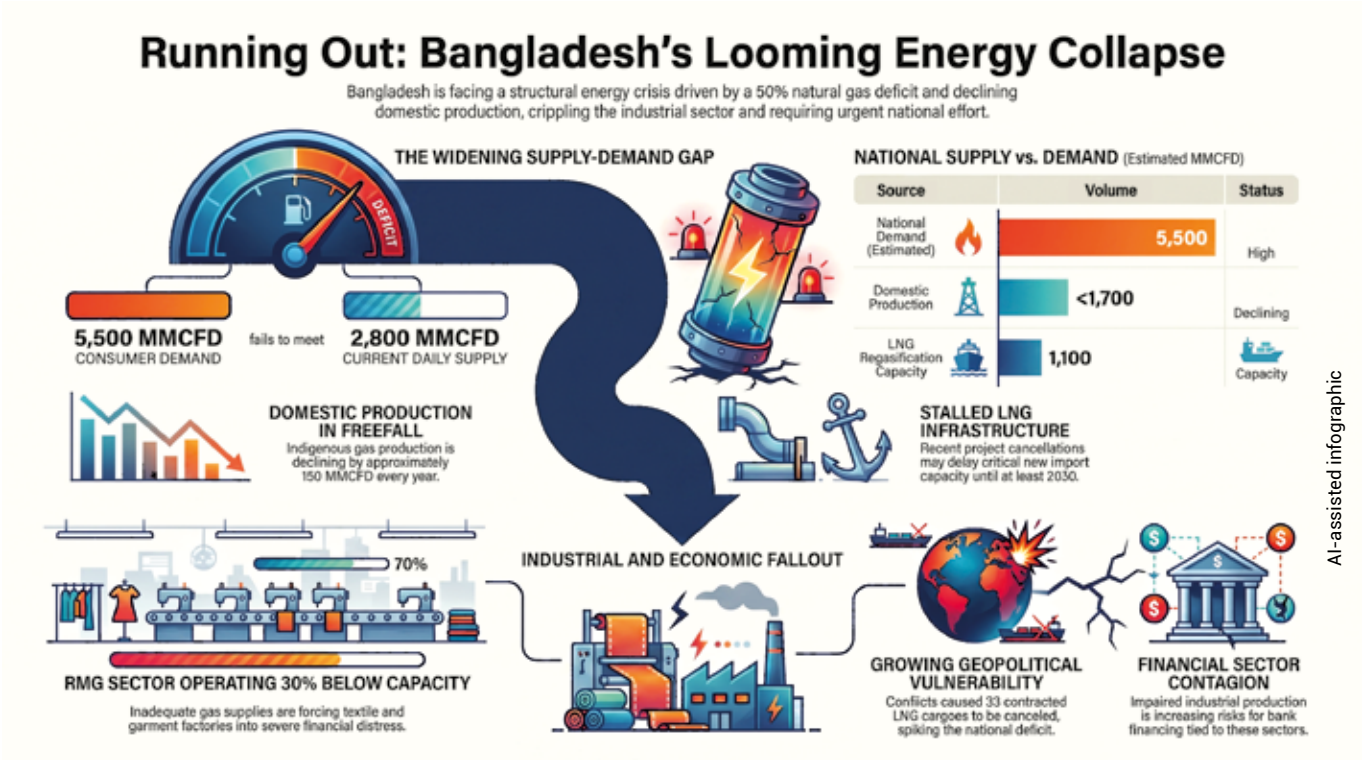

AI-assisted infographic

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Bangladesh's energy crisis is no longer a temporary supply disruption—it is becoming a structural threat to economic stability. As domestic gas production declines, LNG infrastructure expansion stalls, and geopolitical tensions unsettle global fuel markets, the country's dependence on imported energy is exposing critical vulnerabilities. Without urgent action to expand gas supplies and strengthen energy infrastructure, Bangladesh risks entering a prolonged period of industrial slowdown, weaker competitiveness, and heightened economic uncertainty.

Geopolitics and energy security have become two of the defining issues shaping the global economy. Ironically, the vast energy resources of producing nations have become sources of strategic vulnerability as geopolitical competition for control over them intensifies. The resulting instability is exposing economies around the world to growing risks.

International organizations, including the International Energy Agency (IEA) and the International Monetary Fund (IMF), have warned that the ongoing energy crisis could place unprecedented pressure on the global economy. Import-dependent countries are expected to bear the greatest burden as energy security becomes increasingly fragile.

For Bangladesh, already struggling with significant macroeconomic challenges, rising energy prices and supply uncertainties have created multiple layers of pressure. Together, they are rapidly becoming the country's biggest obstacle to ensuring reliable energy supplies. Bangladesh currently imports about 62.5 percent of its primary energy, leaving the economy highly exposed to volatile global markets. Despite rising import costs, the country continues to face acute natural gas shortages that are disrupting industrial production and discouraging new investment.

Natural gas remains the backbone of Bangladesh's commercial energy system. Although the government continues to meet demand through a combination of domestic production and LNG imports, the country is currently facing a supply deficit exceeding 30 percent. Private-sector estimates suggest the shortfall has already surpassed 40 percent.

Based on data compiled by gas distribution companies, several media reports estimate that consumers connected to the national gas network

now require around 5,500 million cubic feet per day (MMCFD), while maximum daily supply stands at only about 2,800 MMCFD—a deficit approaching 50 percent. Petrobangla, however, officially estimates national gas demand at approximately 3,800 MMCFD.

Energy experts believe that even if the government's current initiatives continue, Bangladesh's gas crisis will become substantially more severe by 2030. Unless effective measures are taken to significantly expand supply, the situation is likely to deteriorate further in the years that follow.

At the same time, unless Bangladesh can strike a better balance between developing domestic energy resources and expanding LNG imports, dependence on imported fuel will continue to increase. Such reliance would expose the country to greater geopolitical risks and volatile international energy prices, making it increasingly difficult for Bangladeshi industries to remain globally competitive.

The challenge extends well beyond supply shortages. During the past four years, gas tariffs have risen substantially under several pricing adjustments. The previous Awami League government argued that industries would receive uninterrupted gas supplies in return for accepting higher tariffs. In practice, however, that commitment was never fully realized.

Instead, Bangladesh's textile and ready-made garment (RMG) industries have faced a double blow: paying significantly higher energy costs while continuing to endure unreliable gas and electricity supplies. As a result, production capacity across the sector has declined by an estimated 25 to 30 percent, pushing many factories into financial distress.

Many industries are now financially distressed—or at risk of becoming so—because of inadequate gas supplies and poor-quality electricity. Consequently, a significant volume of bank financing tied to productive industries has effectively become impaired, increasing risks within the country's financial sector.

Bangladesh's domestic gas production peaked at nearly 2,800 MMCFD in 2018 before entering a steady decline. To offset the shortfall, the government commissioned its first Floating Storage and Regasification Unit (FSRU) later that year, enabling LNG imports.

At the same time, unless Bangladesh can strike a better balance between developing domestic energy resources and expanding LNG imports, dependence on imported fuel will continue to increase.

Today, Bangladesh's two operational FSRUs provide a combined regasification capacity of approximately 1,100 MMCFD, while domestic gas production has fallen below 1,700 MMCFD. According to Petrobangla, indigenous production is expected to decline by another 150 MMCFD each year.

Recognizing this trend, the previous government signed an agreement with Summit Group to develop a third FSRU. Negotiations with U.S.-based Excelerate Energy for a fourth FSRU had also reached an advanced stage. In addition, Bangladesh was close to finalizing two agreements to import regasified LNG (RLNG) from India.

However, after assuming office, the interim government canceled the agreement for the third FSRU along with the three pending negotiations. Together, these projects would have added approximately 1,400 MMCFD of LNG import capacity between 2027 and 2029, increasing Bangladesh's total RLNG import capacity to roughly 2,400–2,600 MMCFD.

Meanwhile, development of a land-based LNG terminal with a planned import capacity of 1,000 MMCFD had also been progressing. Because of delays during the interim administration, industry observers now believe the facility is unlikely to become operational before 2032.

Although the interim government canceled several LNG infrastructure projects, it did not initiate any replacements. Since winning the February election, the BNP-led government has yet to approve any major project aimed at expanding LNG import capacity. Even the timeline for launching new FSRU projects remains uncertain.

Likewise, the process of selecting a private-sector partner under the Public-Private Partnership (PPP) framework for the proposed land-based LNG terminal at Matarbari has effectively stalled. As a result, energy experts question whether Bangladesh will be able to expand its LNG import capacity before 2030.

A senior Energy Division official, speaking on condition of anonymity, said the government has not yet decided whether future FSRUs will be developed through government-to-government (G2G) arrangements or international competitive bidding. The ministry is evaluating both options before making a final decision.

The official added that the proposed land-based LNG terminal will be developed under the PPP model and that consultants are currently being appointed to carry out the project's feasibility study.

A senior Petrobangla official, who also requested anonymity, said several companies have expressed interest in developing another FSRU, but no agreement has yet been finalized. According to the official, if a contract is signed this year, Bangladesh could commission its third FSRU by 2029. Until then, however, no firm timeline can be confirmed.

Turning to LNG procurement, Bangladesh imported 109 LNG cargoes in 2025. For 2026, the government initially planned to import 115 cargoes but later revised the target downward by three, bringing the total to 112 cargoes.

Bangladesh currently has long-term LNG supply agreements with six suppliers. Qatar is committed to supplying 52 cargoes annually; three agreements with Oman provide another 32 cargoes; Excelerate Energy supplies 14 cargoes; and Aramco provides five. Altogether, Bangladesh is contracted to receive 103 LNG cargoes each year. If these commitments were fully honored, the country would have limited exposure to the volatile spot LNG market.

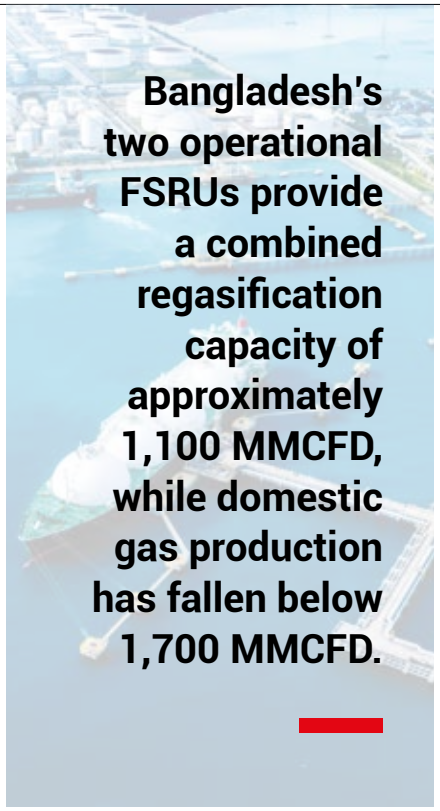
However, following U.S. military strikes on Iran and the subsequent escalation of conflict in the Middle East, damage to LNG infrastructure and disruptions caused by the closure of the Strait of Hormuz prompted suppliers to invoke force majeure clauses. Bangladesh was informed that 33 contracted cargoes would not be delivered. With regional tensions rising once again, concerns are growing that long-term LNG supplies could decline even further.

The regional conflict has also forced Bangladesh to purchase additional LNG on the spot market at significantly higher prices. Consequently, Petrobangla's financial deficit for FY2025–26 increased from Tk 90 billion to Tk 146 billion, requiring additional subsidy support from the Ministry of Finance.

Domestic gas production deserves equal attention. As noted earlier, indigenous production has fallen below 1,700 MMCFD. The country's largest gas field, Bibiyana, now produces around 760 MMCFD compared with approximately 1,200 MMCFD only a few years ago. Production is expected to continue declining.

According to the Energy Division, domestic gas production is falling by about 150 MMCFD annually. Bangladesh therefore has little choice but to increase LNG imports. The problem is that the country lacks sufficient infrastructure to accommodate larger import volumes, while the completion timeline for new facilities remains uncertain.

To maintain domestic production at around 2,000–2,100 MMCFD, the government launched an ambitious 50-well exploration and development program in 2022, originally scheduled for completion in 2024. A separate 100-well drilling initiative followed in 2025, and the two have since been combined into a single 150-well program.



So far, 29 wells—including nine exploration wells—have been completed. They have increased gross production by approximately 270 MMCFD, although only about 140 MMCFD has actually been added to the national gas grid. Officials estimate that completing the remaining work, including 61 additional exploration wells, could increase domestic production by 1,400–1,500 MMCFD by 2030. Even so, it remains uncertain whether these gains will simply offset natural declines in existing fields or result in a meaningful net increase in supply.

Professor Dr. Ijaz Hossain, former Dean of the Bangladesh University of Engineering and Technology (BUET), remains skeptical that all planned wells can be completed by 2030. Even if they are, he questioned whether the program would be sufficient to maintain domestic production at current levels.

Energy expert Khondkar Abdus Saleque believes production from the Bibiyana gas field will continue to decline over the next three years and doubts that domestic exploration alone can compensate for the loss. As an alternative, he recommends immediately constructing a pipeline to connect the Bhola gas field to the national gas grid.

A senior Energy Division official, however, said no final decision has yet been made on whether Bhola's gas will be transported by pipeline, converted into LNG, or used to support industrial development on the island.

Former BAPEX Managing Director Murtuza Ahmed Faruque argued that Bangladesh has yet to undertake any initiative capable of fundamentally resolving the gas crisis. Without urgent intervention, he warned, the situation will continue to deteriorate. He suggested accelerating exploration drilling in Chatak and pursuing exploration in the Chittagong Hill Tracts through partnerships with international oil companies—or direct foreign participation—which could produce encouraging results within two years. By contrast, even if international companies invest in offshore exploration through the current bidding rounds, commercial production is unlikely to begin for another seven to ten years.

The overall outlook is increasingly concerning. Bangladesh's gas supply deficit is expected to widen as domestic production continues to decline, while there is no assurance that major new LNG import infrastructure will become operational before 2030. Consequently, shortages are likely to intensify across the power, industrial, commercial, and residential sectors.

The textile and ready-made garment industry is already operating at 25–30 percent below capacity because of inadequate gas supplies. Unless alternative energy sources and reliable fuel supplies become available, production losses are likely to deepen. Given the scale of the challenge, Bangladesh has little choice but to pursue a wartime-scale national effort to accelerate domestic gas exploration while simultaneously expanding LNG import infrastructure. So far, however, such an urgent and coordinated response has yet to emerge.