Existing Industries Risk Closure

No New Investment Without Reliable Gas, Power

Reliable supplies of natural gas and electricity are critical to sustaining Bangladesh's industrial growth and attracting new investment. Without a clear long-term energy roadmap, industrial production will continue to decline, existing factories may shut down, and new investment will remain elusive.

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Mohammad Khorshed Alam, President of the Bangladesh China Chamber of Commerce and Industry (BCCCI), believes the government must immediately launch a wartime-scale program to accelerate domestic gas and coal exploration while rapidly expanding LNG import infrastructure. In an interview with Energy & Power Editor Mollah Amzad Hossain, he discusses the country's worsening energy crisis, its impact on the textile and ready-made garment (RMG) industry, and the policy measures needed to restore investor confidence.

Bangladesh's textile and ready-made garment (RMG) industry is under tremendous pressure. The sector is operating well below its production capacity, many factories have become financially distressed or have shut down, and Bangladesh is gradually losing competitiveness in the global market. What has brought the industry to this point?

Bangladesh's garment and textile industry began its remarkable journey during the 1980s under the leadership of the late President Ziaur Rahman. At that time, the country had abundant natural gas resources, and energy prices were highly competitive. Those advantages played a crucial role in the sector's rapid expansion.

Although industrialization continued over the following decades, successive governments failed to develop a long-term strategy to ensure a reliable supply of energy, particularly natural gas. As a result, industries have been facing persistent gas shortages for the past four years, and the situation has now reached a critical stage.

Many textile and garment factories have already suspended operations, while those still in production are receiving only a fraction of the gas they require. At the same time, industries dependent on grid electricity are experiencing six to eight hours of load-shedding every day.

Because reliable public energy infrastructure was not available, industries invested heavily in captive power generation and other energy facilities. Today, however, those investments cannot be fully utilized because adequate gas is unavailable. More importantly, the government has yet to provide industries with any clear indication of when normal gas supplies will be restored.

The prolonged uncertainty has discouraged factory expansion and made entrepreneurs increasingly reluctant to undertake new investments.

You mentioned the smaller electricity-dependent textile factories. What is the situation facing those industries today?

These small textile factories are the backbone of Bangladesh's labor-intensive manufacturing sector. They are concentrated in industrial clusters such as Narsingdi, Sirajganj, and several other regions across the country.

Daily power outages lasting six to eight hours are causing severe financial losses. Many of these factories have become financially distressed, while others have already been forced to suspend operations.

Mohammad Khorshed Alam

Countries that prioritize industrial development and employment generally provide businesses with a long-term energy policy outlining both supply availability and pricing. The government should now publish a clear long-term energy roadmap outlining expected gas availability and pricing over the next ten years. Without that level of policy certainty, industries cannot make informed investment decisions, and it will be increasingly difficult to prevent further decline in the country's manufacturing sector.

The impact extends beyond factory owners. Most workers in these industries are employed on contract or piece-rate arrangements. When production stops because of power shortages, workers immediately lose income. Many are being forced to leave their jobs altogether, resulting in rising unemployment.

Unless uninterrupted and reliable electricity can be ensured, this labor-intensive sector will face an even deeper crisis.

Bangladesh is currently facing a gas supply deficit of around 1,500-1,600 MMCFD. Industry experts believe the shortfall will

widen further by 2030 because domestic production is declining and LNG import infrastructure is not expanding quickly enough. As an entrepreneur, how are you preparing for this situation?

Based on the information available to us, the gas crisis is expected to become even more severe by 2030. If the implementation of planned projects continues to be delayed, the crisis could persist well beyond that period.

Unfortunately, neither Petrobangla nor the gas distribution companies have formally informed industrial consumers about the future outlook for gas supply. Had such information been made available, industries could have begun preparing alternative strategies.

As you know, Bangladesh's textile and garment industry is heavily dependent on natural gas. Because the national grid has not been able to provide reliable electricity, industries invested hundreds of crores of taka in captive power generation.

Today, inadequate gas supplies are already reducing industrial production by around 25 percent. Unless the situation improves, production losses will increase further, and many factories may eventually be forced to close.

Such an outcome would not only damage the manufacturing sector but also expose the banking industry to significant financial risks, given its substantial lending to industrial enterprises.

What kind of policy direction do you expect from the government regarding future gas supply and pricing?

Countries that prioritize industrial development and employment generally provide businesses with a long-term energy policy outlining both supply availability and pricing.

Unfortunately, Bangladesh has no such roadmap. Businesses often wake up to discover that gas tariffs have doubled overnight—for example, increasing from Tk 16 to Tk 32 per cubic meter. Such abrupt decisions make long-term investment planning extremely difficult.

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The ruling BNP pledged in its election manifesto to create 10 million new jobs within five years. Achieving that target will require substantial industrialization. Are you seeing any new investment? Are existing investors expanding their businesses?

Sustainable employment depends on sustained industrialization. While the BNP has pledged to create 10 million new jobs over the next five years, that objective cannot be achieved unless industries receive uninterrupted supplies of quality gas and electricity.

The reality is that even existing industries are struggling to secure the energy they need to maintain production. Instead of creating new employment opportunities, many factories are reducing operations, resulting in fewer jobs.

In my view, the government's employment target cannot be achieved without first ensuring energy security. Unless reliable gas and electricity supplies are guaranteed, new investment will remain limited, industrial expansion will stall, and many existing factories could eventually be forced to close.

The current blended cost of natural gas is Tk 31.65 per cubic meter, while the average selling price is Tk 23.63. Although industries pay higher-than-average tariffs, the current domestic gas-to-LNG supply ratio is about 70:30. With domestic gas production declining, LNG is expected to account for nearly 70 percent of total gas supply by 2030, significantly increasing the overall cost of gas. Can industries absorb such price increases?

The government's priority should be to determine the country's actual natural gas potential through systematic exploration of both onshore and offshore resources. It must also take a policy decision on exploring and developing Bangladesh's own coal resources. Greater utilization of indigenous energy resources could delay the country's growing dependence on imported fuels.

At the same time, LNG import infrastructure must be expanded without delay to bridge the widening supply gap. Equally important is ensuring transparent and competitive LNG procurement by eliminating inefficiencies and unnecessary costs throughout the import process.

If industries receive uninterrupted gas supplies through LNG imports, we can then assess whether we can remain competitive despite higher energy prices. However, if reliable gas cannot be ensured, industries will have little choice but to accelerate the use of alternative fuels such as LPG, coal and solar energy.

What is the biggest obstacle preventing industries from shifting from gas-fired captive power generation to grid electricity? Do you believe the power sector will be able to provide uninterrupted, quality electricity within the next one or two years?

Industries invested hundreds of crores of taka in captive power plants because the national grid could not provide reliable, high-quality electricity. Those investments were made out of necessity rather than choice.

If the power utilities can now guarantee uninterrupted and quality electricity at competitive tariffs, industries would be willing to write off those investments and shift to grid power.

However, industries should not be expected to bear the cost of inefficiencies in the public power sector. The government must ensure that reliable grid electricity is supplied at internationally competitive prices.

If gas shortages continue—or become even more severe—can the textile and ready-made garment industry remain competitive by switching to alternative fuels such as LPG, coal or solar power?

Many industries have already begun investing in alternative energy solutions to maintain production. We have installed solar power systems, and in my own factory we replaced conventional motors with high-efficiency magnetic motors, reducing electricity consumption by around 17 percent.

However, these technologies require significant capital investment. To encourage wider adoption, the government should introduce supportive policies, reduce import duties on energy-efficient equipment, and provide long-term, low-interest financing for green energy investments.

Reliable energy and electricity are essential both for attracting new investment and sustaining existing industries. Have business associations proposed any recommendations to the government for addressing the current energy crisis?

Representatives of the textile and industrial sectors have requested a meeting with the Prime Minister. Once that meeting takes place, we will present a comprehensive set of recommendations covering both the energy crisis and other major challenges facing the manufacturing sector.

Our message will be straightforward: without reliable and uninterrupted supplies of gas and electricity, Bangladesh will struggle to attract either domestic or foreign investment. More importantly, even existing industries may eventually be forced to cease operations.

The textile and garment industry has invested heavily in energy efficiency and renewable energy, and those investments are continuing. How much are these initiatives helping maintain competitiveness? What additional incentives should the government provide?

Traditionally, energy infrastructure accounts for around 13 percent of total industrial investment. Today, however, the situation is completely different.

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Industries have had to invest in multiple energy systems simultaneously. We have obtained grid electricity connections, built gas-fired captive power plants, installed diesel generators for emergency backup, invested in rooftop solar systems, and recently added battery energy storage. As a result, energy-related investment has increased to 30–32 percent of total project costs.

Dedicating nearly one-third of industrial investment to energy infrastructure is neither sustainable nor internationally competitive.

The textile and garment sector has already invested substantially in energy efficiency, and there remains considerable scope for further improvement through advanced technologies. However, industries no longer have sufficient financial capacity to undertake these investments on their own.

The government should therefore introduce grants, tax incentives, duty exemptions and low-interest financing to accelerate investments in energy efficiency and renewable energy.

It is important to remember that Bangladesh competes with countries where industries do not suffer from chronic energy shortages. Meanwhile, gas and electricity shortages are reducing production in Bangladesh's textile and garment sector by 25–30 percent. On top of that, industries continue to pay VAT on gas and electricity. Suspending these VAT payments for at least five years would significantly improve the sector's international competitiveness.

Due to volatility in global energy prices—particularly LNG—Petrobangla's annual financial deficit has reached approximately Tk 166 billion. To reduce this deficit, the company is considering increasing gas tariffs for CNG and grid-based power generation. What is your opinion?

Before considering another tariff increase, the government should first identify the actual extent of inefficiencies and system losses throughout the gas and power sectors. Those inefficiencies must be eliminated before consumers are asked to bear additional costs.

Increasing gas and electricity prices simply to offset financial deficits, without first addressing operational inefficiencies and waste, cannot be justified. Consumers and industries should not be expected to finance the shortcomings of the energy sector. EP