Fuel Crisis Cuts Textile, Apparel Orders By One-Third

Failure to ensure a reliable, uninterrupted energy supply will deter both domestic and foreign investment in Bangladesh's industrial sector. Existing industries could also become increasingly vulnerable and eventually shut down, resulting in job losses rather than new employment opportunities. Energy uncertainty has already severely undermined buyers' confidence. As a result, export orders for the next season in the textile and apparel sector have fallen by nearly one-third, creating fresh concerns among entrepreneurs.

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Mohammad Hatem, President of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), made these observations in an interview with Mollah Amzad Hossain, Editor, Energy & Power. The full interview follows:

How would you assess the current situation of Bangladesh's textile and readymade garment sector amid uncertainty, shortages and high prices of electricity and energy? As an entrepreneur, what alternatives are you considering to overcome the crisis?

We have always faced electricity and energy shortages. But in my 40 years in the industry, I have never witnessed such a severe crisis. The recent incident involving the fire at an FSRU also needs to be investigated thoroughly. It is important to determine whether it was simply an accident or whether there was any geopolitical sabotage, and the findings should be made public.

The gas crisis has continued for nearly four weeks, severely disrupting production. Some factories have been forced to suspend production altogether. This has created three major problems. First, industries are struggling to pay workers' salaries and repay bank loans. Second, production disruptions are making it difficult to meet shipment deadlines, creating pressure for air freight. In some cases, air freight could cost as much as 50 percent of the total value of the products. Even if air shipments can be avoided, buyers are likely to demand discounts of at least 25–30 percent. The most serious long-term problem, however, is the loss of buyers' confidence. Because of the energy crisis, export orders for the next season have already fallen by up to one-third.

The government must formulate policies to help industries overcome the crisis. If sufficient gas cannot be supplied, industries should be allowed to consider alternative fuels, including coal, LPG, waste and other available energy sources.

The current government has completed six months in office. One of its election pledges was to create 10 million new jobs within five years. New industrialization will be essential to achieve that goal. How optimistic are you about new investment under the current circumstances?

New investment and employment generation will not be possible without ensuring a reliable supply of energy. A review of the trend over the past several years shows that successive governments have taken various positive measures to attract investment, but those initiatives have not produced

Mohammad Hatem

The initiatives to establish three more FSRUs and a land-based LNG terminal are the right steps. There is no alternative to expanding LNG infrastructure if Bangladesh is to address the ongoing gas shortage and meet growing demand. At the same time, domestic gas production capacity is declining every year. Therefore, ensuring adequate gas supplies for industries in the coming years will be essential. If the planned three additional FSRUs and the land-based terminal are not implemented, the gas crisis facing industries will become even more severe.

the expected results. The main reason is the lack of energy security. Without reliable energy supplies, foreign investment will not come. Existing domestic investments will also be exposed to risks, while new investment will be discouraged. Therefore, if we want to create employment through industrialization, ensuring reliable electricity and energy supplies must be the first priority.

Around 1,000 new industrial units have reportedly developed their infrastructure after receiving approval from different Petrobangla companies, but they are still waiting for gas connections. These entrepreneurs are under considerable pressure, and bank investments are also at risk. What do you expect from the Energy Division to resolve the situation?

There is no alternative to government policy support under the circumstances. These entrepreneurs invested after receiving government approval for access to gas. Therefore, it is now the government's responsibility to provide them with gas.

If gas cannot be supplied, the government should arrange alternative fuels for these industries. At the same time, measures should be taken to protect these investors from financial losses. For example, the government could order a temporary suspension of interest payments and loan instalments for affected businesses until the energy crisis is resolved.

Do you think gas connections to industries should resume?

There is simply not enough gas at present to meet even the demand of existing industries. Therefore, the government must increase domestic gas production and boost imports to meet current demand while also providing connections to new industries. If gas cannot be guaranteed for new investments, the government must clearly identify and facilitate alternative fuel supplies for those industries.

There is no overnight solution to the ongoing energy and power crisis, and the government has also acknowledged this. The Prime Minister has initiated a 10-year plan to ensure the country's energy security. What should be the priorities of this plan in your view?

In my view, the first priority should be to increase production from Bangladesh's existing domestic gas reserves. At the same time, exploration for new gas reserves must be intensified.

To address the immediate shortfall, LNG imports should also be increased. Alongside expanding gas supplies, the government could consider developing dedicated pipeline networks for industrial zones. This could help ensure a more reliable and quality supply of gas to industries.

At the same time, Bangladesh should intensify exploration and extraction of its domestic coal resources so that coal can be used not only for power generation but also as an energy source for industries. Other alternative energy sources, including LPG and renewable energy, should also be expanded in a planned and effective manner.

In my view, the government's 10-year energy plan must clearly identify reliable sources of gas and electricity as well as alternative fuels for industries. The industrial sector should receive policy support to shift to alternative fuels, particularly where gas shortages make such a transition necessary. All these issues should be incorporated into the 10-year plan in an integrated manner.

Bangladesh currently has two operational FSRUs for LNG imports. Negotiations are underway to install a third, while the government has also announced plans for two more FSRUs. At the same time, work is progressing on a land-based LNG terminal. Is the government moving in the right direction?

Yes, the initiatives to establish three more FSRUs and a land-based LNG terminal are the right steps. There is no alternative to expanding LNG infrastructure if Bangladesh is to address the ongoing gas shortage and meet growing demand. At the same time, domestic gas production capacity is declining every year. Therefore, ensuring adequate gas supplies for industries in the coming years will be essential. If the planned three additional FSRUs and the land-based terminal are not implemented, the gas crisis facing industries will become even more severe. The government's initiative is both timely and necessary.

Continued growth in LNG imports will inevitably increase the cost of gas supply. Can Bangladesh's textile and readymade garment sectors remain competitive under such circumstances?

Bangladesh's industrial sector is already facing challenges in terms of energy costs and competitiveness. On one hand, energy prices are relatively high, while on the other, supply shortages are disrupting industrial production. As a result, exports from sectors such as textiles and readymade garments are coming under pressure, while exports from countries such as Vietnam and India are increasing. Any further increase in energy prices will certainly put additional pressure on these industries.

However, the government needs to consider what policy support and incentives can be provided to these sectors so that they can maintain their export competitiveness despite higher energy costs. If we want industrialization and employment generation, there is no alternative to ensuring a reliable supply of energy—whether it comes from domestic sources or imports.

Some argue that the government should immediately take a political decision to explore, extract and use the country's own coal resources. Given the opposition to coal from environmental groups, they also say the government needs support from the business community on the coal issue. What is your view?

Bangladesh does not have abundant domestic energy resources. We have natural gas, coal and renewable energy. Our industrial sector cannot remain sustainable if it has to depend entirely on imported fuels and bear the risks associated with volatile international energy prices. New investment will also be discouraged under such circumstances.

Therefore, alongside expanding domestic gas exploration, the government should take a decision on extracting the country's coal reserves. At the same time, the environmental, agricultural and resettlement risks associated with coal mining must be addressed with the highest priority.

Any decision on coal extraction should be taken after consultations with all stakeholders and on the basis of national consensus. We cannot simply avoid extracting our own coal resources on environmental grounds.

How sincere do you think public-sector power and energy utilities are in providing services to consumers? What needs to be done to make these utilities more consumer-friendly?

Public-sector utilities are not providing adequate services to consumers. Instead, they often dominate consumers and shift the blame for various problems onto them. There are also allegations of involvement by employees of these utilities in system losses and illegal energy use, and such practices must be stopped.

Above all, accountability and transparency must be ensured at every level of the power and energy sector. Only then can these institutions become genuinely consumer-oriented.

Many believe that, like LPG, LNG imports and marketing should also be opened up to the private sector. What is your view?

The import and marketing of primary fuels such as LNG should be opened to the private sector. This would allow consumers to access energy at more competitive prices. At the same time, greater private-sector investment would help increase the overall supply of primary energy.

To continue exporting to the European market, the industry is expected to achieve a target of using 20 percent renewable energy by 2030. Is the industry prepared for this?

The industry cannot achieve this target on its own. The government needs to provide access to low-cost financing. For this, the policy governing Bangladesh Bank's green funds should be revised to make such financing more accessible to industries.

The government must also provide policy support to expand renewable energy capacity and ensure effective implementation of those policies. Without appropriate financial and policy support, it will be difficult for the industry to meet the renewable energy target.