

Energy Security Depends On Domestic Gas, Coal

If Bangladesh wants industrialization and job creation, the priority must be to ensure an adequate energy supply commensurate with the demand. At the same time, energy must be supplied at competitive prices compared to other countries. To achieve this, there is no alternative to maximizing the use of domestic energy resources such as gas and coal. It should also be remembered that Bangladesh has limited opportunities to achieve major success in renewable energy development. Therefore, the new government must immediately make decisions and finalize plans regarding the use of domestic gas and coal so that the country's energy supply can be secured in the medium and long term.

These remarks were made by Abul Kasem Khan, Chairman of Business Initiative Leading Development (BUILD), in a conversation with Mollah Amzad Hossain, editor of Energy & Power. The full interview is presented below:

The war in the Middle East is ongoing and has created a global crisis, particularly affecting energy supply and prices. How do you see its potential impact on Bangladesh?

War always creates multiple risks for the global economy, especially in terms of energy supply and prices. The Middle East is the lifeline of the energy supply chain for Asian countries, including Bangladesh. As far as I know, around 25–30 percent of the world's total energy demand is supplied by Middle Eastern countries.

As a result, the US–Israel attack on Iran and Iran's retaliatory attacks on Israel and U.S. military bases in neighboring countries have disrupted energy production and supply in the region, particularly oil and gas. Because supplies were disrupted for about seven days, global prices of oil and gas have already increased. The impact on Bangladesh's fragile economy will be significant.

We have not yet recovered from the economic impacts of the COVID-19

pandemic and the energy crisis triggered by the Russia–Ukraine war. The ongoing conflict will again negatively affect Bangladesh's energy supply and prices. If inflation rises and the U.S. dollar strengthens further against the Bangladeshi taka, the country's economic challenges will intensify.

In my view, even if the war ends, Bangladesh will not immediately recover from the effects of high energy prices and supply shortages. Therefore, we must begin practicing energy austerity in all sectors and reduce energy consumption. The government has already started working on this, and the effort could be strengthened through public–private dialogue.

Bangladesh currently depends on imports for about 56 percent of its energy. Meanwhile, global prices of oil and LNG are rising due to the war. Bangladesh has already purchased LNG from the spot market at more than double the usual price. What strategies should the new government adopt to deal with this pressure?

There is no single solution to this problem. Importing energy requires foreign currency. Even during wartime conditions of high prices and supply constraints, an uninterrupted energy supply to industries must be ensured because maintaining exports is essential. Otherwise, foreign currency earnings will decline. Even while practicing austerity, the government must ensure the minimum energy supply required by industries.

From discussions in the media, I understand that Bangladesh relies heavily on Middle Eastern countries for oil, LNG, and LPG. Considering the current conflict, the country should focus on diversifying the sources of LNG imports. The government has stated that there will be no shortage of fuel oil in the country, but people remain anxious. In this context, the initiative to introduce rationing in this sector is appropriate.

At the same time, steps must be taken to ensure efficient energy use at all



Abul Kasem Khan

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levels. Electricity consumption in the residential sector has increased significantly in recent years, so efficiency improvements are needed there. However, the effectiveness of planned load-shedding should be carefully evaluated before implementing electricity rationing policies.

One of the most notable promises in the BNP election manifesto is the creation of 15 million new jobs within 18 months. To achieve this, restoring entrepreneurs' confidence in investing in the service and manufacturing sectors is essential. It also requires ensuring energy and power supply, and reducing the cost of doing business. What should be the government's priority?

The majority of these 15 million new jobs must come from the private sector. However, businesses in Bangladesh are highly regulated. Sometimes, more than

30 licenses and approvals are required for a single investment. In this digital era, why can't we provide a single unique business number to manage all business activities?

We must remember that a regulatory system designed in the 1980s cannot attract investment in today's world. Industrial mapping should be conducted, and a single-point service should be ensured for new investments. If we want to create 15 million jobs, we need to develop at least 100,000 new and young entrepreneurs. To attract them, new investments could be granted tax-free benefits for five years.

Now, let me return to the energy issue. Currently, the industrial sector is not receiving gas supply according to its demand. In addition, there is significant latent demand. Many applications for gas connections for industrial expansion and new investments are pending with various gas companies. If these connections are not provided—and if gas supply does not meet demand—industrialization will not progress. This will become the biggest obstacle to creating new jobs. To resolve this issue, the government should determine strategies through discussions with entrepreneurs.

Bangladesh is presenting itself to the world as a “China+1” destination to attract foreign direct investment (FDI). Many foreign investors are showing interest and visiting the country. However, when they see that there is no guarantee of energy supply for their investments, they often leave. Therefore, without ensuring energy security, it will not be possible to attract either domestic or foreign investment.

In 2024, Bangladesh spent about \$20 billion on importing energy and electricity and repaying loans in this sector. It is estimated that the spending could rise to \$24 billion this year. At the same time, dependence on energy imports continues to grow, while there is also the risk of high energy prices in the global market. What should be done to control imports?

There is no short-term solution to this problem. However, we must immediately finalize medium- and long-term strategies to address this crisis. Effective initiatives must be taken to explore and utilize our domestic energy resources. In terms of domestic resources, we mainly have gas and coal.

For oil and gas exploration, we should

adopt a wartime-level approach and ensure both domestic and international investment, increasing exploration activities 20–30 times compared to the current level. Bangladesh is one of the countries with relatively low carbon emissions globally. So why should there be obstacles to exploring and utilizing our own coal resources?

By using domestic coal, we could secure enough fuel to generate electricity for around 75 years. Therefore, electricity generation should rely more on coal, while natural gas should be reserved primarily as fuel for industries.

I do not know what the BNP's position is on coal development. However, no more time should be wasted on this issue—the new government must make a decision immediately. In my view, the energy mix proposed in the 2010 Power System Master Plan should be followed.

Sector experts believe that ensuring energy security requires immediate, wartime-level efforts to explore domestic gas and extract coal. At the same time, urgent programs are needed to develop renewable energy. What action plans should be included in the government's 180-day program to ensure this?

In my opinion, Bangladesh has limited opportunities to achieve major success in renewable energy. One reason is that there is little scope to install large-scale solar power without damaging fertile agricultural land. However, we should try to achieve the maximum possible success through rooftop solar systems.

To ensure energy security, the 180-day program should give priority to exploring, extracting, and utilizing coal and gas. At the same time, measures must be taken to minimize environmental damage from coal mining. People who are displaced should be properly rehabilitated with improved living conditions, just as is done in other development projects. Using environmental concerns as an excuse to leave the country's largest energy resource—coal—unused is not acceptable.

Over the past decade, electricity consumption in the industrial sector has remained limited to about 27–28 percent of total usage. Meanwhile, use of captive power generation has increased, consuming about 17 percent of the country's total gas supply. What should the government do to ensure that industries use grid electricity instead?

It is not the responsibility of entrepreneurs to produce electricity for their own needs. However, because industries cannot rely on uninterrupted, high-quality electricity from the grid, factory owners have been forced to invest in captive power plants.

If the government can ensure a reliable, high-quality electricity supply from the grid, industries will certainly prefer using grid power. The new government should urgently take initiatives to guarantee an uninterrupted and quality electricity supply.

Despite large subsidies, many institutions in the power and energy sector continue to operate at a loss. Meanwhile, outstanding in the sector is estimated at around \$5 billion. What steps are needed to restore the financial viability?

To restore financial discipline in the sector, wasteful spending must be stopped across the board, and unnecessary expenditures must be controlled. If increased costs in the power and energy sector are due to flawed planning, policies should be revised to correct those mistakes.

However, subsidies should continue in the interest of the economy, industrialization, and the public. At this moment, it is not possible to completely withdraw subsidies from the energy and power sector. We must remember that subsidies currently act as an incentive to maintain the country's productivity.

To restore good governance in the power and energy sector and transform it into a people-oriented and industry-friendly sector, what should be the government's top priority?

This task is not easy, but it is achievable with planned steps. First, all irregularities and corruption in the power and energy sector must be investigated and punished. This will create fear among officials and employees about engaging in similar misconduct in the future.

At the same time, monitoring must be ensured at every stage—from project approval to implementation. Additionally, the boards and management of institutions, especially state-owned companies, should be free from political considerations and staffed with competent and qualified professionals. 