

GAS CRISIS LEADS TO NEW INITIATIVES

The latest news is good. The gas supply has returned to the level that existed before the July 21 easing a crisis that severely affected industrial production, electricity generation and kitchens for two months. Regasification of imported liquefied natural gas (LNG) increased to nearly to the regular volume on September 15 after the full operation of two FSRUs (floating storage and regasification unit) located at Maheshkhali in the Bay of Bengal. According to the Daily Star newspaper the total gas supply reached 2,610 million cubic feet per day (MMCFD). The volume breaks up as 990 MMCFD from the two FSRUs –one operated by US company Excelerate Energy and the other by Bangladesh's Summit Group – and 1620 MMCFD supplied

from the country's own gas fields. The volume of gas supply was at 2,600-2650 MMCFD before the July 21 disruption. At that time the LNG terminals has been handling 1,000 MMCFD of LNG.

It has been a collective sigh of relief. Factories have started receiving gas, the electricity generation has improved, while the pressure of cooking gas is also showing some improvements. All have suffered a lot for the two months. This has been a welcome development, but the crisis of gas supply is far being resolved. With the domestic supply of natural gas declining Bangladesh's dependence on imports of the fuel is increasing. The supply of LNG from Qatar has been disrupted for about six months due to the US-Israeli war on Iran.



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Bangladesh has now signed a deal with the United States to buy 117 cargoes of LNG through 2038 amid criticism it will be pricier from the gas purchased from Qatar and other sources. There was a time when Bangladesh worried little about the supply of natural gas as its domestic production was good enough with a healthy reserve.

Currently, Bangladesh produces around 1,600 to 1,620 MMCFD of natural gas, far short of the total national demand exceeding 3,800 MMCFD. The daily gas between the demand and the supply is estimated at 1,200 MMCFD. This has

Reverse Swing



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meant adoption of a policy to meet the deficit through imports through government-to-government deals and direct spot purchase. This policy has been under scanner since its adoption. The problem with the imports has been the availability of gas when the country needs and the volatility in price. First the Covid-19 pandemic and then the Russia-Ukraine war and now the ongoing US-Israeli war on Iran have made Bangladesh to suffer. The problem is showing no sign of easing with Iran-backed Houthi rebels intensified their attacks on Saudi Arabia affecting shipment of ships through Bab-el-Mandeb, a waterway crucial for trading. Not only is supply disrupted, but the price of oil has shot beyond \$110. Covid-19 is gone, but not the wars. With the conflicts raging Bangladesh, like many other countries, are getting the hit really hard.

The July 21 accident at one of the two existing FSRUs has exposed a weakness that should have been taken care of much earlier. Two terminals for storage and regasification are not enough considering the demand. Technical faults, accidents and even natural disasters can cause heavy disruptions as had been the case recently.

So the new government BNP is making fresh moves. It has decided to build three more LNG terminals to boost supply of gas to the national grid with priorities given to industries and electricity generation. Three of the terminals will be floating and two land-based. One of the three FSRUs will be located at Kutubjom in deep water off Maheshkhali under a government-to-government arrangement. This Cabinet committee approved the proposal on July 28 and the terminal will be built by a Chinese company. Besides, the government has decided to drill another 150 wells in the renewed search for gas from the domestic sources. 