



As I said, unless we are able to develop our indigenous primary energy, we will slide into deeper economic crisis fueled by either energy shortage or high priced liquid fuel.

Dr. Mohammad Tamim

Head of the Department of Petroleum & Mineral

Resources Engineering,

Bangladesh University of Engineering and Technology (BUET)

Q You had commented in our December Issue 2011 that, “2012 summer will be difficult but not as bad as 2010.” How well have the power/energy sector performed in 2012?

A In terms of load shedding, April-May was bad but then the situation improved after that. In the later part of summer the power cut was minimum. The improvement came at a high price.

Q The government is still lingering with the formulation of the National Coal Policy. What is your opinion regarding that?

A National coal policy has been used as a shield to defer any decision on coal development by all governments. This highly sensitive issue is being debated on mainly political ground. Economically, it has been very clear to the main stakeholders that indigenous coal is the most viable solution to the alarming energy crisis in the country. There are challenges in coal development – environment and rehabilitation are the two main barriers. But no development is without its challenges and price. Mega engineering problems are being solved all over the world. If we shy away from challenges without trying to find acceptable solution then we cannot move forward. No serious effort has been taken by the government or the activists whether any solution is viable or not. Comment by non experts is dominating the opinion building scenario based on politics. Without developing our own coal, Bangladesh will rapidly fall into a serious energy crisis.

Q Recently, some proposals of power plants generated from imported coal have been rejected. What may be the reasons behind this refusal?

A I have no knowledge about the reasons but my guess would be the economics and finance of the projects. The rates of electricity quoted in the newspaper for imported coal based power plants are not doable, especially in absence of any coal importing physical infrastructure. Local coal may produce electricity at Tk. 4/kWh but imported coal may need as high as Tk. 8/kWh.

Q In our December issue 2011, you had expected some major gas explorations this year. Sadly, no such explorations occurred. Why do you think BAPEX is not concentrating on offshore explorations when there are high chances of gas reserves there?

A Few major exploration ventures were taken up by BAPEX this year including Srikail, Sundalpur and Shunetra. Both Sundalpur and Srikail were limited success producing minor amount of gas that would be considered failure by general

standard. The most disappointing result was Shunetra that came out dry. The nation including myself was hoping that a large discovery would be made at Shunetra but unfortunately, this is the nature of the game of exploration. This is high risk, high investment exercise and failing to find gas even in highly prospective structure is not uncommon. Same thing happened with Cairn energy in Magnama and Hatia. Our luck did not favor us.

BAPEX is not equipped to do offshore drilling or exploration in terms of finance, technology or manpower. There are very few national companies who are actually capable of doing so. In most cases few international companies do these specialized tasks. Like manufacturing aeroplanes these operations are done on competitive advantages. The recent offshore bidding is open to all and BAPEX can always take a partner to bid for the offshore drilling.

Q Previously, you had said that the government is not providing subsidy to the power sector in true sense as the mass consumers fail to enjoy the low price of electricity. Do you think that this scenario has changed in 2012? What are your suggestions for coming years?

A I said that fuel subsidy is mainly enjoyed by the government entities as they are now the major user of all imported fuel. General consumers get the benefit in their electricity use because the subsidy given to liquid fuel based rental power plants are partially passed in the electricity bills. High cost of fuel is forcing government to give subsidy in electricity even though the tariff is now comparable to South Asian region. The government can escape substantially from the burden of subsidy if it can reduce its dependency on liquid fuel. Low cost sustainable electricity production should be the main objective which can only be achieved by using indigenous primary energy (gas and/or coal).

Q The government is now considering extending the validity of some rental power plants as many of them will be coming to their 3-5 year end contract. Don't you think that it was a bad decision on part of the government to issue them a previous license of only 3 years as during these 3 years these rentals have been charging excessive tariffs for the power generated?

A At the initial planning it was thought that by 3 to 5 years large scale low cost sustainable power could be produced. That did not materialize. Obviously, a first time 5 year contract is cheaper than a 3+2 year contract. Now we don't have any option

but to extend the contracts. Care should be taken not to extend the contract of inefficient expensive operators. I must emphasize that all extension should be done on the basis of efficient performance record and at a revised lower rate.

Q How do you see the fuel price hike in 2012 and the persistent electricity hike? There is a chance that government will increase the fuel price to meet the loan condition of IMF. How do you see this? Will it be prudent?

A Fuel and electricity price have always been subsidized in Bangladesh. The rapid rise of international price and our huge growth in demand has put the subsidy amount to an unmanageable level. A price that should have been adjusted to prevailing economic price over a length of period suddenly got a jolt. I support the price adjustment of both fuel and electricity price to the actual market level. Although the electricity price is high here because of wrong government policy and it has some responsibility to relieve the burden of the people. The present electricity tariff is rational and at the same time it is almost at the highest buying capability of people. Any farther increase will force a lot of fraud pilferage.

Q The government of Bangladesh has signed an MOU with Russia to install a Nuclear Power Plant of 1000 MW. What's your view on that? Why the progress has been so slow?

A Financing and long manufacturing time for nuclear power plants indicate that it would not be viable for Bangladesh. It is very unlikely that this project will see the day light.

Q What's your view on setting up imported coal-fired power plants as a source of cheaper power? What's your view on the existing infrastructure in Bangladesh with regard to transporting coal?

A I think it is a very good idea but the jetty has to be built by the government. Private sector will not come forward in this time of economic and political uncertainty to build infrastructure for coal transport. We should always keep the option open for imported coal based power plant.

Q Do you feel that lack of political will and inability to deal with international contracts are the main reasons behind the underdevelopment of coal sector in Bangladesh?

A It is a serious problem whenever it comes to resource or infrastructure related contract in Bangladesh with international players, especially in recent time. But amazingly there was no hue and cry when mobile phone companies came into this country who are expatriating vast amount of profit. The PSCs (Production Sharing Contract) that were signed in 1996/97 are working fine and nobody has been able to show any substantial flaw in them. Obviously politics and special interest group play a big role.

Q How do you perceive the coming 2013 for the power/energy sector?

A It is going to be expensive but being election year, the government will absorb a lot of burden. If they are willing to foot the bill, the government has the physical capacity to manage the load shedding during the summer of 2013 at an acceptable level.

Q What are the prospects of the coming year in terms of electricity generation and energy prices?

A As I said, unless we are able to develop our indigenous primary energy, we will slide into deeper economic crisis fueled by either energy shortage or high priced liquid fuel.

Interview is taken by Md. Ashaduzzaman Riadh and Tanzina Ahmed Choudhury. All views and opinions expressed here are solely of the interviewed persons and neither represent the views of LankaBangla Securities Ltd. nor those of any of its associated institutions.

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