

**Bangladesh Development Forum 2010**  
**Ministry of Power, Energy and Mineral Resources**

**Brief Sector Overview**

- The lack of adequate, reliable power supply is a major impediment to Bangladesh's economic and social development.
  - Power generating capacity is 4,200 megawatts (MW), with present power generation only 3750-4080 MW, while peak demand is about 5,500 MW (and estimated to grow at 8% per annum).
  - An extra 12,000 MW generation capacity is needed to provide electricity to all by 2020 at an estimated investment cost of over \$9 billion.
  - The gas sector currently faces operational constraints in both supply and transmission capacity. Demand is growing at 7% per annum and could reach 5.6 billion cubic feet by 2025.
  - Additional large gas reserves (current reserves are 12 trillion cubic feet) are critical to meeting projected demand and will also require investments of over \$9 billion in exploration, development, and transmission network expansion by 2025.
  - There are about 2.9 billion tons of largely unutilized coal reserves comprising five deposits at depths of 119 -1,000 metres. There has been some encouraging small scale development of renewable resources.
- This will require:
  - Short-term measures to close the gas supply and power generation gaps that also lay the foundation for the long-term development of the sector, e.g. better integration of power and gas policy, planning, and investment.
  - Further strengthening of the Bangladesh Energy Regulatory Commission (BERC) to oversee tariffs and performance of the sector; and timely corporatization/ commercialization of operating entities to achieve efficiency improvements in production/generation, distribution, and energy use.
  - Further implementation of the Renewable Energy Policy and low carbon development to mitigate climate change impacts.

**Recent Progress**

- Gas supply increase of about 175 million cubic feet has been achieved by short term measures and production side management in 2009.
- Power generation of 510 MW added by Small IPP and Rental Power Plants in 2008/2009.
- BERC revised long due gas and power tariffs in July 2009 and December 2009.
- The Renewable Energy Policy adopted in January 2009.

**Current and Future Challenges**

- Accelerating progress in project preparation and implementation, including on PPPs.
- Determining policy choices to meet growing energy and power demand.
- Enhancing operational and financial efficiency and transparency.
- Strengthening government and regulation capacity.

## **Proposed Way Forward**

### Expand Power Supply

- Ease gas supply bottlenecks by prioritizing supply to power plants with high efficiency; and by limiting allocations to small industrial users and households.
- Accelerate exploration and production drilling by reforming the commercial basis of the industry to attract more private capital.
- Make power generation more reliable and efficient, by implementing the pipeline of public sector projects; and reviving the Independent Power Producer program.
- Reduce the burden on natural gas for power generation with coal-fired power.
- Accelerate renewable energy in grid and off-grid areas, building on the success of solar energy which is providing off-grid areas with power for household use.
- Update the Power System Master Plan with feasible development scenarios based on lessons learned.

### Enhance Operational and Financial Efficiency

- Develop cross-border trading to back up oil-fired generation and diesel irrigation pump sets with imported power from India. Gas imports (by pipeline and LNG) could also help secure longer-term supplies.
- Automate meters for all large gas and power consumers, combined with demand-side management for these consumers, to enhance energy efficiency.
- Graduation of the rural electric cooperatives (Palli Biddut Samities) and facilitate regulatory oversight of the cooperatives by the BERC.
- Develop detailed PPP guidelines and operating mechanisms, and upskill public and private sector in PPP implementation both within PPP cell and relevant line ministries.

### Strengthen Government and Regulation Capacity

- Empower BERC to adjust gas and power prices on a timely basis.
- Establish SEDA (Sustainable Energy Development Agency) and make it functional to facilitate investment in renewable energy.
- Strengthen and make fully functional the Power Cell and Hydrocarbon Unit.
- Advance the planned financial restructuring of government agencies.
- Price reform and financial restructuring needs to go beyond meeting the operating cash needs of entities to encompass infrastructure investment requirements.
- Provide more competitive compensation packages to recruit and retain professionals in key sector entities.

## **Expected Support from Development Partners**

- Continued funding, including technical assistance, for public sector projects.
- Assistance in capital mobilization for private sector projects, including through PPP implementation.

- Continued technical support for restructuring of Bangladesh Power Development Board, the Bangladesh Rural Electrification Board (REB), Petrobangla, and other sector entities.
- Support for institutional development of urban distributors, REB and PBSs.

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