

Report No. 33

**ENERGY SECTOR RESTRUCTURING:
CURRENT ISSUES**

Centre for Policy Dialogue

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The Centre for Policy Dialogue (CPD), established in 1993, is an innovative initiative to promote an ongoing process of dialogue between the principal partners in the decision making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such major dialogues at local, regional and national levels. These dialogues have brought together ministers, opposition front benchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. The expectation of the CPD is to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues.

In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of CPD include The Independent Review of Bangladesh's Development (IRBD), Governance and Development, Population and Sustainable Development, Trade Policy Analysis and Multilateral Trading System and Leadership Programme for the Youth. The CPD also carries out periodic public perception surveys on policy issues and developmental concerns.

*As part of CPD's publication activities, a CPD Dialogue Report series is brought out in order to widely disseminate the summary of the discussions organised by the Centre. The present report contains the highlights of the dialogue organised by CPD, which was held at the CIRDA Auditorium, Dhaka on the theme of **Energy Sector Restructuring: Current Issues..***

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Dialogue on
ENERGY SECTOR RESTRUCTURING: CURRENT ISSUES

i) The Dialogue

The Center for Policy Dialogue (CPD) organised a dialogue on the theme, *Restructuring the Energy Sector: Current Issues*, on May 29, 2000 at the CIRDAP Auditorium, Dhaka. With Professor Rehman Sobhan, Chairman, CPD, in the chair and Mr Tofail Ahmed, Bangladesh's Minister for Industries, as the chief guest, the dialogue drew a cross-section of politicians, bureaucrats, professionals, academicians, business people and other eminent members of civil society. Mr. Azimuddin Ahmed, former Chairman, *Petrobangla* and Mr. Nuruddin Mahmud Kamal, former Chairman, Bangladesh Power Development Board (BPDB) were the keynote presenters.

Introductory Address by Dr Debapriya Bhattacharya

In his address of welcome, Dr. Debapriya Bhattacharya, Executive Director, CPD, noted that the dialogue was a part of the ongoing effort by CPD to carry out policy analysis on behalf of civil society. " We represent the third view vis-a-vis the views espoused by the government as well as the views of the donors or the development partners led by the World Bank", he maintained. He highlighted the *Independent Review of Bangladesh's Development* (IRBD) as the epitome of the participatory review process- initiated by the CPD-of the state of the economy and the development process in Bangladesh. The focus of the present dialogue, namely, the energy sector, as the Executive Director noted, also formed the core of two very important chapters in IRBD 2000, the fifth volume of coming out of the IRBD exercise, which was in the publication stage. Dr Bhattacharya emphasised the importance of this sector, which he believed, held the key to structural change and thereby to poverty alleviation in the country. He revealed that the dialogue was the fourth organised by the CPD on this particular issue and urged the participants to study the output of the earlier ones in order to trace the evolution of CPD's thought process as it gathered increasingly more information in this respect.

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Initial Remarks by Chairperson

Setting the ball rolling, Professor Sobhan expressed his enormous satisfaction and pride at the successful completion of another significant phase of the long journey through the IRBD, which had been initiated in 1995. On behalf of the people involved in the IRBD, he was extremely happy to welcome everyone to dialogue on the most recent output of

the process. He introduced the two keynote speakers, Mr Azim Uddin Ahmed on the gas sector, and Mr Nuruddin M. Kamal on the power sector. The CPD Chairman noted the rich assortment of participants at the dialogue. He expressed his deep appreciation to the Minister for Industries for his consistent attention to the ventures of CPD past and present and hoped that he would continue rendering such cooperation in the future as well. The Chairperson then invited Mr Azim Uddin Ahmed to make the first presentation on the gas sector.

ii) Resumé of the Resource Paper on Gas Sector

The resource paper on the gas sector, drafted and presented by Mr Azim Uddin Ahmed, former Chairman of *Petrobangla*, was based on Part - B, Chapter III of CPD-IRBD 2000, titled "Bangladesh Gas Sector Development: Status, Policy Options and Challenges".

The keynote speaker set out the backdrop to the discussion through presenting a brief history of gas exploration in the country and noting the immensely important role played by gas, which he termed as the most important natural resource, in the economy.

Focusing on the highly debated issue of estimates of gas reserves, Ahmed opted for a rather cautious and conservative stand on the subject. The possibility of a depletion of the reserves was of great concern to him in the context of extraction by the International Oil Companies (IOC) at the rate of 7.5 per cent of proven reserves.

The focal point of Mr Ahmed's presentation was the issue of Production Sharing Contracts (PSCs) that had been signed with the IOCs. He was of the opinion that with the entrance of the IOCs in 1993, the hitherto fairly stable circumstances of the gas sector turned into a complex one with its multi-dimensional impact on factors such as supply, pricing, financial health of *Petrobangla* and considerations linked to gas export.

Analysing the PSCs, Mr Ahmed drew the conclusion that in both gas pricing and production sharing, the contractual terms were not favourable to *Petrobangla*.

Deliberating on the issue of pricing, Mr Ahmed brought out the discrepancy between the price received by *Petrobangla* from the domestic consumers and the price paid by it to the IOCs and expressed his concern over the resultant fiscal losses to *Petrobangla*. He pleaded for the consumer price to be raised at least up to the *Long Run Marginal Cost* (LRMC) of gas production in Bangladesh.

Mr Ahmed presented an analysis of gas demand and supply in the country and noted that as a result of on-going IOC production and expected yield, the total amount of gas to be supplied by the IOCs supplies would be in excess of the total demand of the country. Under the circumstances, the strategy recommended by him for *Petrobangla* was to generate more gas from its own resources to meet the incremental domestic demand forecasts and to use its share of the PSC gas to be used to generate much needed foreign exchange.

iii) Resumé of the Resource Paper on Power Sector

The keynote presentation on the power sector by Mr Nuruddin M. Kamal, former Chairman, BPDB, was a comprehensive survey of the sector, with all its problems and prospects.

The main focus of Mr Kamal's deliberation was on reforms and restructuring of the power sector. He provided a detailed analysis of the crisis conditions prevalent in the late 80's, which was characterised by a severe supply shortage owing mainly to institutional failure and operational inefficiency. The hallmark of the crisis was the astronomically high extent of system loss. Performance failure in the power sector gave rise to a loss of confidence amongst the development partners and led to an acute resource crunch. The need for reforms and restructuring emerged against this particular backdrop.

Mr Kamal highlighted the major milestones of the reform process which took its first faltering step in 1991 through the creation of the Dhaka Electric Supply Authority (DESA), unfolding gradually to reach a significant stage in 2000 through the Policy Statement of the Government of Bangladesh 2000.

The basic idea driving the reform process was the need for restructuring in order to ensure operational autonomy for the utilities to provide an incentive structure and to enhance efficiency in the short run, thereby attracting investment and accelerating economic growth in the long run.

The reform goals, as the keynote speaker saw it, were commercialisation of the sector entities and introduction of competition into the system. To achieve these goals, the role of the government needed to be redefined, private sector participation was to be encouraged and it was necessary to establish independent regulation. One highlight of the restructuring process was *unbundling*, namely, creation of separate companies for generation, transmission and distribution of electricity.

Having outlined the conceptual framework of the reforms, Mr Kamal shed light on the problems encountered in the process of implementation of the proposed measures. As he remarked, "The indifferent attitude of the political forces put the bureaucracy in the driving seat and helped the donors and their consultants to prescribe a reform package that is facing difficulty in its implementation."

Emphasising the need for domestic ownership of the reform process, the speaker observed that any *donor driven* package would be inherently insensitive to the political realities of the country and thus would lack public acceptability.

Drawing his arguments to a close, Kamal stressed the need for commitment and consensus among the major stakeholders in order to make the reform process meaningful and effective. He opined that such an objective could only be achieved through a participatory and interactive policy making process.

iv) Discussion on Gas Sector

The Reserve Estimates- Who Knows How Much We Have?

The revealing fact that emerged from the discussion was that the longstanding debate on the question of correct estimates of the country's gas reserves remained unresolved. As illustrated by Mr Terry Budden, President and MD of *Unocal Bangladesh Ltd.*, with the help of some statistics and a few seismic maps, the main problem is lack of adequate exploration. Mr Budden, basing his thoughts on his experience of working in a number of prolific basins around the world, affirmed that the Bengal basin too was an exceptionally rich one and that the country had only a partial estimate of its true resource base which was due to a lack of adequate information. In his opinion, the probable reserves of Bangladesh were a good deal more than its proven reserves and the potential field growth would be enormous with the application of 3-D technology. On an average, he gave a probabilistic estimate of around 30-50 TCF of gas reserves lying below the surface.

A debate arose at this stage regarding the geographical distribution of Bangladesh's gas reserves. Mr Shamsuddin, Chief Geologist, Unocal, contested the conclusion drawn by Mr Azimuddin Ahmed in his presentation which noted that the reserves mainly lie in the eastern part of Bangladesh. He pointed out the fact that exploration work so far done in the western region could not be described as adequate enough for such a conclusion. In this regard, he mentioned the historical fact that in the first 50 years of exploration, there had hardly been any discovery in the eastern region itself. But the scene had changed in the subsequent 50 years with the achievement of a 70 per cent strike rate. The problem

with exploring the western region was that its complicated geological structure warranted highly sophisticated technology for exploration, he informed the audience. But at the same time that very geological structure - mainly stratigraphic with an abundance of source rock- held a great potential for hydrocarbon reserves, he maintained. He was supported in his contention by Dr. M Mustafa Alam, Professor, University of Dhaka, who appealed for future IOC investment to be focused on exploring the western part of the country. He quoted the 1986 study by *Petrobangla* -"The Hydrocarbon Habitat Study" - which had estimated the reserves at 42.8 TCF and noted that it matched the estimate provided by Mr Terry Budden. But he was hopeful that the reserves would prove to be much more if appropriate technology was brought into play.

Demand vs Supply-- Crisis of Abundance

One of the most keenly discussed issues at the dialogue was the problem of excess supply of gas vis-à-vis demand. Khondoker Saleq Sufi, General Manager, Gas Transmission Corporation Limited (GTCL), provided a statistical outline of the problem by noting that the combined gas production capacity of the public sector and the IOCs was 1290 MMCFD, whereas the coincident peak demand of downstream consumers had never gone beyond 1010 MMCFD, average demand being about 950 MMCFD. In his calculation, Bangladesh already had a surplus of 200-230 MMCFD. Similar estimates were provided by Professor A K M A Quader of BUET. The discussants then brought out the different dimensions related to the issue.

The Financial Burden on Petrobangla

The biggest evil, in the view of Professor Quader, was the tremendous financial pressure exerted on *Petrobangla*, which was being forced to buy the excess gas produced by the IOCs. The fact that *Petrobangla* was in no position to accommodate this excess gas was emphasised repeatedly by many among the participants. Quader wondered why the country suddenly found itself in a position of oversupply today? Professor Quader had his own answer: it lay, in the overestimation of demand reflected in various projections made by the Planning Commission and *Petrobangla* and in the NEP projections. He made the interesting observation that actual consumption of gas in the country had always been lower than the projected level. He attributed the panic created by such unrealistically high demand projections to the hasty decision taken by the government to invite the IOCs. He feared that if the IOCs were allowed to go on extracting at the rate of 7.5 per cent of proven reserves- as stipulated by the contracts- then there might arise a situation where *Petrobangla* would have to shut down its own production and become only a dealer of IOC gas.

The alternatives available for dealing with excess gas, as underlined by Saleque Sufi, were an expansion of the domestic and the export market for both raw gas and value added products like power or fertilizer.

Fertilizer and Power – "Is There Enough Demand for Gas?"

The possibility of excess gas being used to boost the domestic industries of power and fertilizer was examined from many angles by the participants.

Professor Quader was skeptical about the idea of expanding the fertilizer industry in order to utilise the excess gas. He thought that 5 per cent growth in the fertilizer sector was unrealistic in the context of land availability in the country. Even industrial demand for gas was unlikely to increase to an extent that would require massive investment not feasible in the current context. He suggested that the country observe the pattern of energy use in the EPZ sector in order for it to be able to come up with realistic demand projections for the foreign investment sector.

In the same vein, Mr Saleque Sufi anticipated that fertilizer production with gas for the export market would not be profitable in the long run. The reason, in his view, was that gas from the Middle-East fields was available for fertilizer production at a cheaper price compared to that of Bangladesh. Analysing the other option, generating power for export, he emphasised the need for first producing power for the country's own consumption and for the security of its national power grid. Even if Bangladesh considered exporting power, its possible market would be India. Even so, he was doubtful as to whether for India Bangladesh's gas based power would be more economical than hydro-electricity from Nepal or Bhutan.

Enayetullah Khan, Editor, Holiday, underlined the issue of excess gas as one which demanded urgent and priority attention and emphasised the need for both short and long term planning. His advice was to designate a certain quantum of the excess gas to be used in making immediate payments to the IOCs. It would be possible only in the longer term to set up power plants or fertilizer factories, he opined, given the implementation lacunae in the country. He felt that the sale of gas in the export market was the immediate solution to the problem and urged the government to take a political decision to that effect.

In a similar vein, Waliur Rahman Bhuiyan, President, FICCI, drew attention to the need to draw up a business plan which would take into consideration the resources available, the consumption pattern over time, the possibilities of exporting raw and value -added

gas and the possible uses of the money generated in case the country decided to export. Only professionals experienced in conducting business feasibility studies could design such a comprehensive plan, according to him.

The Burning Question-Should We or Should We Not Export Gas?

A lively debate ensued at the dialogue on the question of export of Bangladesh's gas.

The case for exporting raw gas was presented by Terry Budden, who evaluated the possibilities succinctly: "the value is 30 cents on the ground, 50 cents if you export liquid gas, \$1 if it is made into fertilizer, \$1.25 you turn it into power and can find a market to take sufficient volume and \$2.5 if you put it in a pipeline and sell it to a credit worthy market". He estimated the gross revenue from exporting 1 BCF pipeline gas per day in an export market to be \$800m as against \$100m from the export of power. Therefore, the issue before Bangladesh was one of how to use the money to stimulate and sustain other industries.

Dr. Mohammad Tamim of BUET, drawing attention to the public concern and sensitivity about export of gas, said the basic problem was that gas as an export commodity was a new concept to the general public. The fear in the public mind was two-fold: one is that since it is an exhaustible resource, we cannot regenerate it once we have exported. The other problem, he noted, is the lack of public confidence in our financial and political system which makes the possibility of a huge amount of liquid money to be generated in the system a frightening notion for the public, who fear gross mismanagement of the accrued funds. His conclusion was that the root of the problem lay in the political arena. The focus should be on getting back public confidence in the nation's financial and political system.

Production Sharing Contracts- Did Petrobangla End up with Getting a Raw Deal

The issue of Production Sharing Contracts and its impact on *Petrobangla* and the domestic gas sector in general was a recurrent theme of debate throughout the dialogue. Andrew Vaughan, MD (Exploration and Development), *Shell Bangladesh Co. Ltd.*, tried to clarify the idea -which according to him was a misconception- that somehow the reward structure associated with the PSCs gives the lion's share to the IOCs. He strongly affirmed that the payments made to the IOCs, at least in the initial period, had gone for the recovery on the huge investment made by the IOCs on behalf of the government of Bangladesh and *Petrobangla*. He reminded the audience that between the years 1994 and 1998 the IOCs had invested about \$1 billion in the hydrocarbon industries of the country,

which led to the creation of gas production capacity of about 300 MMCFD and relieved the tremendous shortfall in electricity supply that existed in the mid-1990s. He urged everybody to recognise the fact that without this investment, there would have been situations of under supply rather than a glut of gas.

Professor Muzaffer Ahmad of the Institute of Business Administration, University of Dhaka, strongly contested the statement by Mr Vaughan about IOCs investing \$1b in the country. According to him, this figure was arrived at by taking into account the implicit value of their own machinery imported for excavation and drilling purpose and the salary paid to their own employees. It is because of this that there had been no significant impact on the economy, he thought.

Ambassador Waliur Rahman, Director, Bangladesh Institute of Law and International Affairs (BILIA), was of the opinion that Professor Ahmed was being a bit too harsh on the IOCs. When an investment is made, even if it is only import of machinery, a certain amount of employment is generated, he maintained.

In the view of Mr S K M Abdullah, former Chairman, *Petrobangla*, conditions have been gradually improving for *Petrobangla* with each new contract. It is a learning curve – he maintained.

Renegotiation of the PSC's- is it Possible or Desirable?

Mr Andrew Vaughan expressed his apprehension at about talk of a renegotiation of PSCs. He sounded a warning to the effect that any such measure would diminish the country's credibility in the international business community and would certainly discourage future foreign investment.

Mr Waliur Rahman, recounting his experience of meeting international investors, shared the realisation that the investment climate of the country had been deteriorating.

In light of such observations, Mr S M Al-Hussainy, Fellow, CPD, opined that the country should honour the PSCs once it had signed up to them. But his advice was that the country needed to be very careful in future in drawing up such contracts. A distinction should be noted between the exploration and the development aspect, he emphasised. According to him exploration should be restricted only in domestic hands. He thought that Bangladesh should have followed the example of India's ONGC, which was kicked off with a small loan from ADB and which had since made rapid strides in developing indigenous technical capability.

Hasanul Huq Inu, General Secretary, Jatiyo Samajtantrik Dal (JSD), supported Hussainy saying that though there should not be any relaxation of the PSCs, the government should not stand guarantee for the export of gas by the IOCs. The IOCs would have to negotiate for themselves with the potential buyers and would have to schedule their price in accordance with the price they were offering to Bangladesh. In this regard, he mentioned that the same IOC was selling gas at a cheaper price to India and Pakistan than to Bangladesh. In addition, he proposed that their profits be made subject to taxation at par with domestic companies. He also suggested that the payments to the IOCs be made in Bangladeshi currency and not in dollars. But Mr Azim Uddin Ahmed intervened to clarify that there was no scope for making payments in the Bangladeshi currency.

Pricing of Gas- on What Basis?

The issue of gas being in general underpriced in the country was underscored by a number of participants. The basic reason as recognised by the participants was the absence of any definite formula or structure to determine the pricing of gas.

As Saleque Sufi pointed out, the discrepancy between the high price paid by *Petrobangla* to the IOCs and the much lower price received by them from the downstream consumers was causing massive financial loss to *Petrobangla*. Professor M Nurul Islam of the Institute of Appropriate Technology (IAT), BUET, claimed that the consumer level price had been fixed absolutely on an arbitrary basis. To make the public responsive to price changes, the country needed to bring in an open, clean and transparent pricing system and also make the tax component known to everybody. He cited the example of Pakistan where the price of gas is subject to a six monthly review by the Parliament. Since pricing was a politically sensitive issue, he proposed the establishment of an independent regulatory authority to do the job. Mr Hasanul Huq Inu too was of the opinion that gas prices needed to be rationalised.

Restructuring - is Corporatisation the Answer?

The question of restructuring of the gas sector mainly centred on the corporatisation issue. Professor M Nurul Islam was of the view that only the forming of companies under the *Companies Act* would not solve any problem, because *Petrobangla* would still hold all the shares of these companies on behalf of the government. Since *Petrobangla* itself is a corporation, Professor Islam noted, it remains as bureaucratic as ever. So the real answer lay in corporatisation in the form of holding companies- *Petrobangla* itself could be made into such a company.

v) Discussion on Power Sector

Reforms

In the context of the widely acknowledged inefficiencies and institutional failures in the power sector, the issue of restructuring received priority attention from the participants. Quamrul Islam Siddiqui, then chairman of PDB, was vocal in pointing out the mistakes committed in conducting the reform process in the preceding ten years. The fundamental problem, as recognised by him, is that the decision making has not been participated in by the stakeholders, particularly the *Bangladesh Power Development Board*. He referred to the creation of DESA out of the blue eight years previously, which in his view had completely backfired since it had aggravated the financial losses rather than improve the situation.

The reason behind management failure as diagnosed by Mr Al-Hussainy was that a lot of vested interests - of the government, of the unions and other people who have political patronage - were involved. He suggested that Bangladesh take a cue from successful enterprises around the world and adapt their methods to its own situation. Particularly, the organisations needs to be given adequate functional freedom. One more thing pointed out by him is that the entire power sector is a single utility-generation, transmission and distribution taken together- and as such one needed a holistic approach to deal with it. Captain Tajul Islam, MP, vehemently argued that the public sector officials should be made subject to the same kind of social criticism and accountability as the private entrepreneurs in order to make them perform efficiently.

Not Mere Unbundling, but Real Corporate Authority

Mr Quamrul Islam Siddiqui made a vigorous appeal for corporate authority to be granted to PDB. He maintained that despite having a corporatisation enactment in Parliament, real corporate authority is absent for PDB. He urged everybody to look at similar companies in India, Malaysia, Singapore, Thailand which have full corporate freedom and authority in their structure and consequently are not only self sufficient but also paying substantial amount of revenue to the respective governments. But in Bangladesh, he lamented, the PDB has been placed under strict bureaucratic control so that no decisions could be taken regarding either the development process or the procurement matters. He even suggested the option of sharing the experiences of the private sector and making useful strategic partnerships with them to generate more revenues.

Siddiqui hailed NEP 1996 for making a clear breakthrough in the unbundling process through its mission statement. But the question that he raised was regarding the sequence of unbundling. He recounted that the transmission sector was unbundled first: that too was done without the stakeholders' participation. He informed the participants that the usual sequence maintained in other countries is generation first, followed by distribution and transmission. He criticised the double standards explicit in the government policies through which resources are being pumped into a loss making concern like DESA whereas PDB is being deprived of the necessary resources.

Progress Made In the Last One Year

Independence of Power Stations

As a part of improvement measures in public sector power generation, two power stations- Haripur and Ashuganj-are already on the way to getting independent status, Mr Siddiqui informed. This, according to him, is the beginning of the process of unbundling of power generation that seeks to transform every power station into a cost and profit centre.

Achieving Labour Discipline

Siddiqui claimed that for the first time, trade unions had been disciplined in the PDB. He compared this achievement under the corporate structure with the situation prevailing in the gas sector where trade unionism is rampant even within the company structure. He reached the conclusion that the key factor is proper management and full participatory role for everybody.

Making Distribution More Competitive and Efficient

The distribution aspect is being looked into with a view to improving its efficiency and the standard of customer service, Siddiqui informed his audience. He mentioned that the country had been divided into 23 business zones in order to improve operational efficiency.

Cost Vs Pricing

One fact noted by Mr Siddiqui was that the price of electricity charged to DESA and REB was much lower than the LRMC of production. Such a practice is completely inappropriate if a competitive structure has to be maintained, he opined. This sort of

pricing would also put PDB at a disadvantage vis-a-vis the IPPs, he feared. He was supported by Mr Aziz Khan, Chairman, Summit Group, who affirmed that realistic pricing was needed to save the PDB from incurring losses.

Enabling Environment for the Private Sector

Mr Aziz Khan made an ardent plea for creating an enabling environment for the domestic private sector in power generation. In his view, the domestic private enterprises are lagging behind in terms of technological capability. He urged the government to adopt policies that would enable the entrepreneurs to catch up with the multinational companies by acquiring technological expertise.

The need for developing indigenous technological capability was emphasised by Mr Siddiqui as well, who raised a question as to how long it was advisable to remain dependent on foreign companies even for the maintenance and development of the country's existing capacity.

Looking at the equity capability of our domestic investors, Professor Nurul Islam expressed an opinion that investment planning for private investors in the generation field should be made in small amounts. He hailed the decision taken by the present government to allow private sector participation in the area of power generation as a correct one and suggested that small towns should be given to the private sector for power development.

Cross Cutting Issues

Demand for Independent Monitoring and Regulation

The participants recognised the need for independent regulation and monitoring in order to conduct realistic and authentic analysis of the energy sector and to formulate effective and transparent policies. For the gas sector, Mr Abdullah and Mr Hasanul Huq Inu called for an independent gas research centre. Ambassador Waliur Rahman raised the same demand in the context of power.

Domestic Ownership of the Reform Process

One prevalent theme of discussion was the question of reform policies being 'donor driven'. Mr Hasanul Huq Inu alleged that the multilateral institutions are not comfortable working with democratic governments since "too many questions are asked". Mr Phiphit

Suphaphiphat, Resident Representative, ADB, denied this allegation and maintained that the phrase *donor driven* should not be misinterpreted as *donor imposed*. He urged the government to develop a competent policy analysis mechanism so that a meaningful review of any policy proposal is possible.

Professor Muzaffer Ahmad pointed out that the scope of the discourse became limited if there was no concrete policy analysis based on solid economic reasoning and adequate theorisation.

The Future of Alternative Technology

A number of participants pointed out that the dynamics of the energy sector would be changing as technology changes with time. Abdul Awal Mintoo, President, FBCCI, considered the option of using coal resources as fuel for power generation.

Concluding Statement by the Chief Guest

The Minister for Industries, Mr Tofail Ahmed, thanked the two keynote speakers and the discussants for providing him with a deep understanding and insight into the problems of the energy sector. In his long deliberation the Minister clarified the position of the government on the various issues of contention.

As regards the PSCs, the Minister agreed that the country had to honour them, but at the same time he supported the contention that *Petrobangla* should try to generate more gas from its own resources to meet the incremental domestic demand. Any shortfall can then be met from PSC gas and the remaining PSC gas would have to find an alternative market.

The Minister clarified that the price charged to KAFCO, as stipulated by the contract, is very simple- the higher the market price for urea, the higher the price paid for gas. This contract expires in the year 2005; and independent consultants are reviewing the contract, he stated.

Tofail Ahmed differed with Professor Quader on the question of unfeasibility of significant expansion in the fertilizer and power sector. He provided some data to illustrate that the increase in domestic demand for fertilizer would be enough to make the country dependent on imports in the near future in case it did not expand the level of production at a fast rate. He informed the participants of a plan for setting up a fertilizer factory in the northern part of the country where the demand is the highest. He also

mentioned that the Western Region Integrated Project submitted by *Unocal* contains a proposal for setting up power plants of various capacities with Bangladesh's gas.

The government's stand on the issue of gas export was firmly stated by the Minister to be negative, at least from the short-term perspective. As a principle, he affirmed, the government would like to be very cautious in this matter in order to avoid a fate like Nigeria, which had been unable to reap any benefit from its vast natural resources. He pointed it out to Mr Terry Budden that even if exporting liquid gas is more lucrative than exporting any value added commodity, setting up of LNG factories itself is a very expensive process. So, in his view, the focus right now should be on value added commodities, part of which could go for export. There are many foreign investors, in his knowledge, who would be interested in our power sector with a view to export.

Responding to the criticism that the barge-mounted power plants are expensive, the Minister stated that they were used as an emergency measure in order to get quick relief from supply shortages. This practice is very common all over the world, he maintained. The possibility of alternative technology of energy emerging in the near future was mentioned in his deliberation and he was of the opinion that policymaking should take note of this factor.

Concluding, Mr Tofail Ahmed made an appeal to all the political parties to come together and work for the benefit of the country. He emphasised the need for greater transparency, accountability and a consensus-based approach to development-related policymaking of the country.

Concluding Remarks by the Chairperson

Professor Rehman Sobhan made a concluding observation to the effect that that the potential export earnings from gas, as projected by Mr Terry Budden, were not really enormous in comparison with our current export earnings. So the government should be able to handle it quite competently without any problem. He maintained that the example of Nigeria would not be relevant here since the quality of governance is undoubtedly much better in our country. He hoped that the debate would continue on a more rational and economic note without anybody breaking out in an avalanche of political rhetoric. The political parties should stop playing games with one another, rather the country could benefit enormously if they were able to meet and draw up a common policy framework. He concluded with the hope that in further dialogues, a consensus could ultimately be forged among the political parties and they will come forward with concrete policy proposals rather than making empty public speeches.

List of Participants
(In alphabetical order)

<i>Mr Abu Ahmed Abdullah</i>	Director General Bangladesh Institute of Development Studies (BIDS)
<i>Mr S K M Abdullah</i>	Former Chairman Petrobangla
<i>Mr Tofail Ahmed, MP</i>	Hon'ble Minister Ministry of Industries Government of Bangladesh
<i>Professor Muzaffer Ahmed</i>	Institute of Business Administration (IBA) University of Dhaka
<i>Mr Shamsuddin Ahmed</i>	Head (Energy) Asian Development Bank (ADB)
<i>Ms Selima Ahmed</i>	Director Nitol Group
<i>Dr Muzahed Uddin Ahmed</i>	Professor Bangladesh Agricultural University Mymensingh
<i>Mr Azimuddin Ahmed</i>	Former Secretary Ministry of Energy and Mineral Resources Government of Bangladesh
<i>Dr M Mustafa Alam</i>	Chairman Department of Geology, University of Dhaka
<i>Mr Nazmul Alam</i>	Former Chairman Bangladesh Chemical Industries Corporation (BCIC)
<i>Mr M H Ansari</i>	Senior Economist International Monetary Fund (IMF)
<i>Dr M Asaduzzaman</i>	Research Director Bangladesh Institute of Development Studies (BIDS)

<i>Mr Ashrafuzzaman</i>	Research Fellow, Bangladesh Institute of Law and International Affairs (BILIA)
<i>Mr James Ashworth</i>	Managing Director (Marketing) Shell Bangladesh Co Ltd.
<i>Dr Debapriya Bhattacharya</i>	Executive Director Centre for Policy Dialogue (CPD)
<i>Ms Ayesha Banu</i>	Coordinator (Dialogue and Communication) Centre for Policy Dialogue
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