NEWSLETTER 3 – Bangladesh's Energy Crisis in Perspective

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On 07.01.25, SADF held a podcast with Mr. Amit Bhandari, moderated by Dr. Rayhan Rashid, about **The Current Energy Crisis In Bangladesh**. Mr Bhandari is an energy expert, with nearly two decades of experience in public policy research and financial analysis. He's also a senior fellow at Gateway House, a Foreign Policy think tank in India. He's the author of 'India and the Changing Geopolitics of Oil', which looks at India's changing role in the global oil trade and on how can the country secure energy supplies.

In a developing country with a large population and a population density much larger still, energy concerns are always high on the agenda, both amongst policy makers and in the public discourse. Bangladesh is blessed with considerable natural gas resources, which still provide for about half the country's consumption;

according to Chambers and Partners (2024), in 2024 the two other major sources of energy came from liquefied petroleum fields and coal (at about 25% each). Hydropower, solar and wind energy each provide for between 0.2 and just under 2% of total consumption. Supply consistently fails to meet demand, however; further, as the country develops, strategic choices must be made on how to meet the country's energy needs.

1. On Adani

Mr. Bhandari first addressed the recent topic of the Indian company Adani, which supplies coal-fired electricity to Bangladesh, cutting its power transmission due to a 'payment dispute' ('unpaid dues' of between $800 and $900 million). The issue, which is part of the on-going troubles in bilateral relations, has led to accusations of unfair pricing by Adani and emphasized the dangers of energetic dependence on foreign sources. Mr. Bhandari has noted that the priced advanced by Adani Watch, 12 taka per unit (or kilowatt hour), is only slightly higher than prices practiced in India's domestic market, at about 10 taka per unit, and that the difference is explained by the Indian government's subsidizing of domestic consumption – a subsidy not extended to trading partners. Mr. Bhandari further suggested that a comparison between the price of Adani's coal-generated electricity with the international market prices of both gas and petroleum, the two short-term alternatives available for Bangladesh to meet its energy demands in 2025. Right now, Mr. Bhandari suggests, Indian coal is not only a fair deal for Bangladesh, it's the best available by far.

2. The call of renewables

But what about the long term? What should be Bangladesh's long-term energy policy?

Bangladesh currently relies on gas, oil and coal for about 95% of its energy production. The global consensus is that such non-renewable sources of energy are a declining dead-end, to be replaced by sources such as nuclear power and hydro-

, wind-, and solar power. And indeed, Bangladesh's oil and gas imports leave the country vulnerable to the international market and its volatile prices (e.g. the rise in the prices of fuel and gas since 2022). According to Mr. Bhandari, following India's strategy of reliance on coal (partly exported from Australia, Indonesia and South Africa) could mitigate this, because coal prices are lower and more stable. On the other hand, Bangladesh's economy is strongly linked to the EU, which discourages coal-fired energy.

Should Bangladesh go all-out on the renewable 'energies of the future'?

According to Mr. Bhandari, we must be wary of global consensuses – and cautious about taking China as an example. Unlike China, for instance, Bangladesh is a small country, with an extremely high population density, where every inch of land is precious, rivers are swampy, sunshine isn't a trademark and budget concerns are high on the agenda. Domestic hydropower is not an option. Solar energy, in spite of great planning and investments by the late government, has failed to take off yet. If and when it does, Mr. Bhandari suggests it'll provide for only 5 to 6 hours of active energy which must be stored the rest of the day, at a cost. It can also only be applied on rooftops and other urban structures. Windpower seems promising, and like is the case with solar power there are many plans; however, these have failed to take off – while solar power has managed 1.98% of energy supply, windpower stands at 0.22%. Other, more creative solutions are also less promising than it would first appear. Biofuel, the creation of fuel from plants, sounds great and was tried. It led to inflation in food prices, because the land dedicated to foods for fuel was land not dedicated to actual food. On the other hand, tidal power is less feasible than generally agreed, in general, because the tides involved are only strong enough in a small number of cases.

Similar reasons explain why India itself still relies on coal for 75% of its energy supply; Mr. Bhandari suggests the scenarios in both countries are similar – and so are the probable outcomes. Mr. Bhandari believes coal is the best solution in the foreseeable future, while current technology levels hold.

3. Alternative policy options

Yet should a resourceful country like Bangladesh, which surprised the world so many times with its ingenious, cutting-edge solutions to seemingly intractable problems, accept fossil fuels the current 95% reliance on the Triade 'outdated energies' gas-oil-coal as a longstanding strategy? Of course not. Yet Mr. Bhandari suggests that all ambitions should take into account not only geographic and environmental realities, but also economic structures. For instance, many of the cutting-edge technologies being tried in China, electric batteries for high-speed rail for instance, depend on expensive metals such as uranium and lithium and do not conform with either India's or Bangladesh's current production systems (an incompatibility with India's car making industry was mentioned; the textile-intensive Bangladeshi current production structure looks equally hindering).

Which is not to say there are no alternatives to look into.

Nuclear power is a promising area; two nuclear plants are under construction which should alleviate the energy burden in Bangladesh. The main problem with nuclear energy is the heavy investments needed to set it up. Can it make Bangladesh self-sufficient in energy?

On the other hand, neighboring Nepal and Bhutan are very rich in hydropower potential, a potential that far exceeds their respective populations' needs. Hydropower is cheap, clean, and powerful. And indeed, the complementary potential between South Asian infrastructures was mentioned in SADF's last newsletter. A European reminder is inevitable and was mentioned by Mr. Rahyan Rashid. Current realities in diplomatic relations make an integrated regional system of energy production seem delusional; on the contrary, South Asian countries try to avoid depending on each other. However, more incredible developments were witnessed in the last decades, no less in Bangladesh; cooperation in simple and cost-effective forms of energy production such as hydropower is perhaps not as far-fetched as may seem. If we look into how European countries, once hostile to the point of creating two world wars, brought themselves to cooperate for the more stabilizing and cost-effective good, we'll find the 'step-by-step' method. In the words of Robert Schuman (1950): '*Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity*'. Are any small but real achievements in regional cooperation in

renewable energy possible?