ADB's aerobatics in gas sector

NURUDDIN MAHMUD KAMAL

N recent months there has been rumours about selling off by the government of some remunerative public enterprises in the energy sector to private speculators. This has raised eye brows of many citizens. Some conscientious citizens are manifestly disappointed and entered into a phase of bad temper. Moreover, for almost two years the drama dealing with a vital question of high national importance has been tossed around between the people and the authorities without any decision. The battle is not over, the question reappears gaunt and bare, as it has never been seen before: do we export out only meager commercial energy resource (natural gas) and bring more sufferings or conserve it for future

The irritations and hardships and the general insecurity of the new time are likely to be exacerbated if the government now borrow money from the so-called development partner (the Asian Development Bank, in short ADB) on such demeaning terms and conditions and eat ghee-bhat now and starve to death later. This description however deserves further elaboration. In fact, the ADB's Gas Sector Development Project did raise enough dust in 2000 but could not convince the government at that time Either the same project proposal or an old wine in a new bottle has come back. This is the irritation.

Curiously, the Aide Memoire discussed, among others, the project equations rather vividly. Yet, it did not attract the attention of the povernment about the real nature of the issue It clearly described that the western part of the country has no developed commercial sources of energy -- only one potential mine with limited output prospect of about one million tons of coal per annum planned. The work is in progress since mid 1990s and is still on. Consequently, out of the country's total electricity installed capacity of 4710 Megawatt (MW), only about 12.5 per cent, fueled by imported diesel/furnace oil, exists in the western part (across the river Jamuna). The country's entire proven plus recoverable reserves of gas, according to ADB, estimated at about 9 trillion cubic feet (Tcf), are located in the eastern part of the river system (Page-1 and 2 of Aide

The Aide Memoire also identified a marked geographical peculiarity (Page 3 of the report) between the eastern and western parts of the country, which has widened the economic disparity between the two parts. Even after commissioning of a 30-inch diameter gas pipeline across the mighty Jamuna river in 1999, no visible effort has been made to develop gas infrastructure in the western part in the past four years. Though the hon'ble Prime Minister has formally declared expansion of gas pipeline to Bogra and creation of networks, down the line authorities of the Ministry of Energy are rather slow in appreciating the desire of the head of the government. The Aide Memoire noted that cultural change at sector level is necessary to convert the prevailing pessimism to optimism, in order to motivate the management and the staff. But it is not happen-

The Project concept and rationale highlighted that the gas market needs to be expanded to allow Bangladesh to optimise the use of its natural resources. The more specific proposals however included a contradictory position. The Memoire suggested that while promoting the expansion of piped gas to new power, fertilizer, industrial, domestic and commercial consumers (in the western part) of Bangladesh and stimulation of demand through substitution of other (imported) fuels by natural gas are necessary, export of natural gas by pipeline to a neighbouring country should be a strategy for development.

The proposed project, it was stated by the Mission, would be part financed by the ADB under certain conditions. The approximate order of investments required for expanding the domestic markets are about US\$2.35 million over the five-year period (Page 1 of the Memoire). Clearly, all the domestic investment components are desirable since they add to domestic development. According to the Memoire, export of natural gas to India would be the most desirable option, and the sale value of gas, one of the highest (Para 30, Page 7). However, it did not clearly elaborate the annual

or total income from the proposed export. Moreover, the Mission underestimated the domestic demand and overestimated the supply. The actual situation is that while the country's present demand has increased to about 1275 MMcfd, the supply is less than 1250 MMcfd in mid 2003. However, the project proposal estimated the total requirement of natural gas that ranges from 12 to 14 Tcf for a 20-year period without clearly spelling out the implications thereafter. Unhappily, such a double digit proven reserve figure is non exis-

It was also stated (in Page-2) that of the total production of about 900 million cubic feet per day (MMcfd), about 70 per cent come from public sector company fields while the rest 30 per cent come from two International Oil Companies (IOCs), namely, Occidental/Unocal and Cairn/Shell. According to ADB's estimate, the country has a reserve to production ratio (R/P ratio) of over 40 years (the R/P ratio was 250 years in early 1970s, Planning Commission). Based on the latest official reports (Government sponsored National Gas Reserve Committee or NGRC, August 2002) the estimated proven plus probable reserve stood at 12 to 15.5 trillion cubic feet (Tcf). The Nagorik Committee Report (NCR, November 2002), on the other hand, estimated the proven reserve (based on NGRC Report page 61 and 62) at 6.2 Tcf (popularly known as bankable reserve for he purpose of commercial deals).

perform and what role the Ministry of Energy and Mineral Resources will perform? Would the government hold the shares of operating companies? Is this a prelude to privatisation?

Coming back to the proposed project, it has been observed that due to the standard mindset of the development partners (the World Bank and the ADB in particular) there is an apprehension regarding the future investments in the energy sector. Sometime in March, 2003, a half baked Energy Regulatory Bill (ERC) was approved by the Parliament. Many vital aspects including the issues relating to upstream activities in the gas sector have not been included. Worst still is that the ERC may not become an independent body (when Chapter-5, Relationship between the Government and the ERC, para 24 (1) and (2) is more carefully examined). Is the whole exercise for downsizing Petrobangla and privatising the gas sector a well thought-out plan?

Visualising the anomalies (Page-3 of the Aide Memoire) in the two parts of the country, in terms of energy supply and reserve, the Asian Development Bank (ADB) admitted that till now gas use has been confined to the eastern part which has widened the economic disparity between the east and the west parts of Bangladesh. Although a real potential has been created with commissioning of the Bangabandhu Bridge and the laying of a 30-inch diameter high pressure gas pipeline in 1999, effort for development of gas market in the west part has not

The development partner must realise the realities of life. Because, not only the pipeline gas export proposal is not covered under the PSC signed in mid 1990s but also it will not earn adequate profit from gas sales to India. Most important point is that 500 MMcfd gas will be needed for domestic use in the near future.

Therefore, based on even NGRC report the R/P ratio would be less than 29 years, much less a figure would be visible from the Nagorik Committee Report though. According to recent MIS Report of Petrobangla, with a production/consumption exceeding 1250 MMcfd, the R/P ratio would show a much lower figure. However the R/P ratio do not provide any clear indication on the resource position, rather the economic growth and consumption is more relevant. International practice also supports this contention. Thus, according to National Gas Utilisation Committee (NGUC, August 2002) the estimated gas reserve would exhaust by 2014-15. This is no fallacy. It is a real life estimation commensurate with the estimated economic growth (of 7 per cent per annum). Almost 60 per cent of gas is expected to be used for generation of electricity domestically. So, what's the point ADB is driving at?

Admittedly, although all the public sector operating companies (exploration to production and marketing) are already corporatised under Companies Law, the boards of these companies have little freedom to perform their functions in a commercial manner essentially because the mother institution (Petrobangla) has not been corporatised (as a holding corporation like the Bangladesh Petroleum Corpora tion). Thus the relationship between Petrobangla and the operating companies remained unclear. It will get aggravated if the proposed restructuring of Petrobangla (UNB report, DS 29 July, 2003) is implemented. The news report states that the government is going for a total restructuring of the organogram of Petrobangla to make it more of a monitoring and supervising authority (by reducing functions and authorities) like the central bank (Bangladesh Bank) of the country. This, most certainly, is an outrageous concept under the

It may be recalled that in mid 1980s a World mended Petrobangla to be converted into a corporate body to establish a more transparent and accountable relationship with its operating companies and also to legally hold the shares of its subsidiaries (although it is doing so since 1974 after the enactment of Petroleum Act. 1974). Now the strange proposal for restructuring would simply mean turning the table upside down. If this really happens, what role the Energy Regulatory Commission (ERC) will

received adequate importance even after the hon'ble Prime Minister Khaleda Zia publicly declared to make Bogra the hub of future industrial development.

The ADB project concept and the rationale as explained by the ADB Mission (Page 4 of the Aide Memoire) conclude that there are two strategies that can concurrently be pursued for expansion of the proposed gas market:

i. expansion of piped natural gas to new power, fertilizer, industrial, domestic and commercial consumers in Bangladesh, and stimulation of demand through substitution of other fuels by natural gas; and

ii. expansion of the export market through supply of gas to Bangladesh export oriented industries: and export of natural gas by pipeline to neighbouring countries. Clearly, the energy hungry west part is a big

market for natural gas because almost half of the total population of Bangladesh live there. Hardly 12.5 per cent of total electricity generation in the country takes place there, that too based on expensive imported diesel or furnace oil. The cost of generation of electricity in the public sector units differs widely. While the per unit cost of Ghorasal power station (an inefficient operation) is Taka 1.35, the Barisal Diesel power station's cost is Tk. 36, Bheramara Power Station's cost is Tk. 10, Rangpur Gas Turbine Power Station's cost is Tk. 11 (Electricity for All by 2020, PDB's Preparedness, Syed Abdul Mayed, Chairman, Power Development Board, Energy and Power Journal, July 1, 2003). Wouldn't that impose a mandate on the government that all new power plants planned for the next five years should be located in the west part? Already the east part is overloaded because of transmission limitations as evidenced from recent events in Dhaka area which consumes over 50 per cent of the total electricity supply in the country. If, as per ADB's estimate, a sum of US \$ 1.5 billion investment (Page-7 of the Aide Memoire) atleast 2500 Megawatt of combined cycle plants can be installed in the west. This by itself would demand 500 MMcfd of gas by 2010 and consequently preclude any gas export option.

The development partner must realise the realities of life. Because, not only the pipeline gas export proposal is not covered under the PSC signed in mid 1990s but also it will not earn adequate profit from gas sales to India. Most important point is that 500 MMcfd gas will be needed for domestic use in the near future. Yet the Memoire gave a verdict that the only viable form of gas export is through pipeline (Para 27, Expansion of export oriented markets). Tentatively, it was estimated by the ADB Mission that there may be market in India for about 250 to 300 MMcfd at prices between US \$ 2.50 to \$ 3 per Mcf in about 6 years. Contrary to this, Unocal, an IOC operating in Bangladesh now, has proposed on 29 October 2001 (shortly after the assumption of office by the present government) that they would like to export 500 MMcfd gas for 20 years through construction of a 1300 km pipeline to India. According to the company (Unocal), this would help Bangladesh to earn US \$ 3.7 billion (equivalent to Tk 20,000 crore in 20 years or Tk. 1000 crore annually).

The undisclosed proposal is that it would require Unocal to export (500 MMcfd X 365X20) 3.65 trillion cubic feet in 20 years, which they don't posses as proven reserve. The question therefore remains to be answered have Unocal told the whole truth? Although the per unit price of gas exceeded US \$4/mcf. even at US \$ 3 per Mcf (Petrobangla has already bought at US \$2.90 per Mcf from Sangu field) Unocal's proposal should earn a total estimated amount of US\$11 billion against export of 3.65 Tcf in 20 years, atleast 50 per cent of which (as Bangladesh's share) should be US\$ 5.50 billion not US\$ 3.70 billion!

Regarding the cost and strategic options, ADB Mission proposed that the investments required for the proposed project (BAN: Gas Sector Development Programme, 23 May, 2000) would be in the order of about US\$ 2.3 This includes construction of 30-inch diameter pipeline and distribution system at a cost of US\$ 385 million, domestic fertilizer factory at US \$ 350 million, domestic power stations at US\$ 1.5 billion etc. The Bank, has however, assumed two things: that the investments for power station and part of pipeline will come from the private sector and the foreign exchange outgo for Bangladesh would be about US\$ 500 to 700 million per year. In addition to these costs for purchase of gas from the PSCs (according to ADB) would be US\$ 200 to 250 million per year. After about three years of submission of the Memoire, Jalalabad gas field's share of production would now be split at 70: 30 for the government. And the Sangu field is gradually indicating an uncertainty in production. Its reserve was not proven and not certified as per international gas field practice. Because of a similar reason, for instance Bakhrabad field production pattern drastically declined in recent years and is now barely 15 to 20 per cent of the original production schedule. The authorities should be more cautious

Although ADB stipulated that any proposal regarding export of power would be less profitable because the power market is fluid in the region on account of plentiful and low cost hydro resources in India, Nepal and Bhutan. But the fact of the matter is that there is no way Bangladesh can enter into hydro electricity trade with either Nepal or Bhutan without a clear concurrence from India. India only believes in bilateral trade, not multilateral.

The other most vital aspect in the ADB proposed project is a 30-inch dia gas transmission pipeline from Rashidpur/Habigani to Nalka/Ishwardi/Kushtia/Jessore etc., but not to Khulna, Rajshahi or Dinajpur/Rangpur areas For domestic supply in the western part a 14/16 inch dia pipeline should be adequate for up to 2020, for which the cost of construction would most likely reduce to half now. A parallal pipeline can be constructed later, when needed (the per unit cost of a 30-inch diameter pipeline is US\$ 0.75 million per kilometer and that of 14/16-inch dia could be around US\$ 0.4 million per km). Consequently, it would be move beneficial to constrict, say, 16 inch diameter pipeline network in the west.

Finally, in view of the turbulent time in which we live in Bangladesh, it would be overly ambitious to walk along with the predictions and uncertainties. Moreover, one should be careful in dealing with such a proposal because it always tend to have in-built virus. Only a cautious scrutiny can save a nation from manmade disasters.

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RIGHT AT WORK-III

Little hands and big dreams A BBC documentary

The BBC Bengali Section has started broadcasting a special series of radio programmes on the ILO Declaration of Fundamental Principles and Rights at Work. These principles are: freedom of association and right to collective bargaining, freedom from discrimination, child labour and forced labour. Each Thursday, the BBC focuses on one of these principles as well as portrays the present reality through `a day in the life' of a worker. This is the third instalment in the series written and produced by Masud Hasan Khan

eighteen should be considered a

child. The recently-amended ordi-

nance to protect women and children

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more the nine thousand children in

these schools and more than two

HEY came after a hard day at work just to have fun. Children between the ages of five and seventeen gathered in the subterra-nean shoebox of a school at Ring Road, in the Mohammadpur area of Dhaka. The single room is bare. Only a few posters, a harmonium and a pair of tabla prove that this place is used by the members of the Tokai Nativa Dal a theatrical group for the street kids of Dhaka. And enjoy it they do -- songs, acting and games. This is the only time when working children like Imran, Shilpi or Minju can take a break from a very long day. Besides having fun they also get some education at the premises, supported by the Unnayan Shahojogi Team, an NGO. Imran, Shilpi and Minju are part of

the army of children in Bangladesh who are employed in various sectors often in hazardous trades. It is hard to determine the total number of such children, but researchers suggest that one in ten of the country's labour force is under fourteen and the figure is rising. They say that agriculture is by far the greatest consumer of child labour while a significant number are employed in the industrial and service sectors. Their sheer numbers gives rise to the question of their rights. The UN Convention on the Rights of the Child now guarantees the overall wellbeing of a child and countries, like Bangladesh, which have ratified the Convention are now under a universal obligation to implement it, says Dr. Hamidul Huq, President of the Bangladesh Shishu Adhikar Forum (BSAF). In fact, Bangladesh was one of the first twenty-two countries to have ratified the Convention. But how does it translate to people living just outside the limits of Dhaka city?

Take Kamrangir Char for an example. Standing on the river protection dam which separates the shanty town from the capital city, you can just see the high-rise buildings of Dhaka. Boys and girls, huddled in makeshift cabins use hammers to break open used drycell batteries, as if they were chest nuts. They collect the carbon rods and other metal objects for recycling. Their bodies are black. In the semidarkness of the room, you can barely figure out the white of their eyes, or teeth if they cared to laugh. Not far from here, it is a different picture Children painted white all over their bodies are busy collecting balloons from moulds and dusting them with talcum powder.

Nine-year-old Hossain Ali earns Taka 50 a month working in one of the balloon factories. His family needs the money and is not ashamed of sending him out to work at such a young age. For Ali, his apprenticeship means low pay, no rights, frequent verbal abuse and occasional spanking from the 'Ostad' (teacher/trainer). It is only on Friday that

he can go out to play with his friends. thousand children were trained in Since its independence in 1971 different skills and absorbed in the Bangladesh has formulated a host of ndustry." When asked why a section laws and ordinances to protect the wellbeing of the children, but a comof labour leaders allege that child prehensive law, intended to protect the rights of the working children, is yet to come. These provisions are often ambiguous and conflicting, says Dr. Hug of the BSAF. "The Family law says no girl below the age of eighteen, or twenty-two in the case of a man can be married," he says, "but the child policy adopted in 1994 determined the children's age as fourteen But the ILO says anybody aged below

below sixteen as a child." Bangladesh's export-oriented garment industries made a big leap forward in 1995 in its battle to effectively eliminate child labour. Faced with a US ban, the garment industries transferred more than ten thousand children to schools and paid for their gests Bangladesh shall have to education. But what has happened to explore a golden means. these children since then? Md. Lutfor Rahman, a director of the Bangladesh Masud Hasan Khan is a producer of the BBC Garment Manufacturers and Exporters Association (BGMEA) says: "Since 1996, we have enrolled

labour still exists in garment units outside Dhaka, Mr. Rahman said that fourteen inspection teams, with members from the ILO, are working round the clock to ensure that the garment industry remains free from Caught between international commitments and domestic realities what are the views of those who actually employ child labour? M. Harunur Rashid, a battery recycling plant owner

employment of children, what happens to the families going hungry? The law itself is good, but you have to be practical. We understand the situation and respond to it accordingly."

Child Affairs Minister Khurshid Jahan Hug says the government fully understands the challenges posed by the child labour issue. She advises against harsh measures and sug-

says: "When the government forbids

Indian and Jewish Americans form lobbying alliance

DR. FAKHRUDDIN AHMED writes from

IRST of all, on behalf of the expatriate Bangladeshis living in America, the writer would like to extend a most warm welcome to the new US Ambassador to Bangladesh, His Excellency Harry K. Thomas, Jr. and his family. Bangladeshis are delighted, and feel especially honoured because Ambassador Thomas is the first African American Ambassador to Bangladesh Bangladeshis will instinctively extend their legendary hospitality towards the new American Ambassador and his family as he works to bring our two people, Americans and Bangladeshis, even closer together.

Columnist dream of a time when they will be able to write freely about India or the Hindus without worrying about any possible repercussions on the Hindu Bangladeshis. Since such days are years off, it has to be stressed that any discussion or criticism of the activities of Indians at home or abroad has nothing to do with Hindus in general and Hindu Bangladeshis in particular. Hindu Bangladeshis are patriots, who have contributed enormously towards the development of Bangladesh in every field; especially in the fields of education, commerce vernment, culture and sports, and who for no fault of their own suffered disproportionately during the war of liberation.

Under the caption "India, Israel Interests Team up; Common Needs Lead to a Growing Lobbying Alliance," in a July 19 article, The Washington Post Staff Writer Alan Cooperman gave a detailed account of how supporters of India and Israel are combining their resources to aid their native countries. Writes Cooperman: "When the House passed a \$3 billion aid package for Pakistan this week Jewish and Indian American lobbyists teamed up to win an amendment pressuring Pakistan to stop Islamic militants from crossing into India. Wearing lapel pins of the Stars and Stripes sandwiched between the flags of India and Israel, the amendment's supporters then gathered in a Capital Hill reception room to celebrate the burgeoning political alliance between Indians and Jews in the United States.

"Women in saris mingled among men in yarmulkes, a cacophony of accents united in a desire for access. Despite their obvious differences, the alliance has the potential to magnify the voices of the two communities that are LETTER FROM AMERICA

small in number about 5.2 million Jews and 1.8 million Indians -- but highly educated, affluent and attached to democratic homelands facing what they increasingly view as a common enemy. Indians and Jews share "a passionate commitment to respect for others, for the rule of law and for democracy," Rep. Tom Lantos (D-Calif), a Hungarian-born Holocaust survivor, told the jubilant crowd after the House vote. "And lately we have been drawn together by our joint fight against mindless, vicious, fanatic Islamic terrorism." "In recent months, pro-Israeli and pro-Indian lobbyists successfully worked together to gain the Bush administration's approval for Israel to sell four Phalcon early warning radar planes to India for about \$1 billion, a deal that has alarmed the Pakistani government. Three years ago, the United States blocked a nearly identical proposal for

Israel to sell radar planes to China". "The same coalition of groups -- including the U.S.-India Political Action Committee (USINPAC), American Israel Political Action Committee (AIPAC) and American Jewish Committee (AJC) -- is now seeking U.S. approval for India to purchase Israel's Arrow ballistic missile defence system. Participants said that the alliance has been quietly forming for several years. The American Jewish Committee, for example, has sent seven delegations to India since 1995, and two years ago it took a group of Indian American leaders to visit Israel. This year, it is opening a permanent liaison office in India and completing renovations to an earthquake-damaged school that serves mostly Muslim children in the Indian state of Gujarat, according to Jason Isaacson AJC's director of government and international

affairs. "On the domestic political front, AJC has held two training sessions in New York in the past year, showing the ropes of grass-roots lobbying to about 80 Indian Americans from around the country. Many are blunt about their desire to emulate American Jewish groups. think Indian Americans see American Jewish community as a yardstick against which to compare themselves. It's seen as the gold standard in terms of political activism," said Kumar P. Barve, the majority leader in the Maryland House of Delegates and the highest elected Indian American official in the country. The Indian immigrant community, which doubled during the high technology boom between 1990 and 2000, is newer to U.S. politics and is only beginning to organise. USINPAC, for example, was formed in September 2002. Its executive director, Sanjay Puri, said the joint lobbying with pro-Israel groups for arms sales and the Pakistani aid amendment is "just the first of many things we're doing together "The amendment, sponsored by Del. Eni

F.H. Faleomavaega (D-American Samoa), requires the Bush administration to report to Congress on Pakistan's steps to close terrorist camps in Pakistan-held Kashmir, stop militants from crossing into India and prevent the spread of weapons of mass destruction. Puri said even though Jewish groups have no direct interest in Kashmir, they have promised to support similar language in the Senate. "We are building a long-term relationship," he said. "Of course, this is not against, or to the exclusion of, any other community." Pakistani American groups do not see it that way. "This alliance is specifically aimed at Pakistan, aimed at harming Pakistan's interest in this country, charged Faiz Rehman, president of the 3,500member National Council of Pakistani Americans. "Where will the Phalcons be focused? On Pakistan," said Riaz Ahmad, a founder of the Pakistani American Congress, an umbrella organisation of 44 groups. "It will become an arms race. And you should see how poor India and Pakistan are. How can they afford such things?"

Jeffrey Colman, AIPAC's deputy legislative director, said the cooperation between American Jews and Indians mirror relations between Israel and India. Although both countries gained independence from Britain at about the same time, 1947-48, they were wary of each other for decades. India, as leader of the non-aligned movement, had close ties with Egypt and the East Bloc. Since the collapse of the Soviet Union, however, India has become one of Israel's largest business partners, with more than \$1 billion in trade and many hightech joint ventures. So far, the Jewish-Indian alliance in the United States has focused on

have combined forces on electoral politics They worked to defeat former (African American) House Member Cynthia McKinney (D-Georgia) whom they perceived as antagonistic both to Israe and to India. "There was a natural connection already in Atlanta, through the business world, and then when McKinney was bashing both our homelands, we just took our business connections and social connections and made them political," said Harin J. Contractor an Indian American student at the University of Georgia. "It was a great model to Lobbying is as American as baseball and

apple pie. When lobbyists target one group, Muslims in this instance, there is always the possibility of retaliation. For its leading role in the nonaligned movement and its strong support of the Palestinians, India enjoyed tremendous prestige in the Islamic world. BJP's India is risking that reputation. It is one thing to lobby against Pakistan, with whom India has disputes such as Kashmir, quite another to hobnob with Israel, currently Muslim world's number one enemy because of its treatment of the Palestinians. And Sharon, Netanyahu and Shamir's militant Israel is not the peace-prone Israel of Rabin Peres and Barak. While India as a nation is as legitimate as it gets, Israel's legitimacy as a nation has been, and will be continue to be questioned. India is in danger of soiling its hard-earned goodwill in the Islamic world. As a fledgling minority of only 1.8 million in the US, it is foolhardy for the Indian Americans to risk the ire of over 30 million African Americans (such as by manipulating the defeat of Congresswoman Cynthia McKinney), many of whom are Muslims, on top of seven million Muslim Americans, and 1.3 billion Muslims worldwide. Americans should also remember that the 3.5 million Indians working in Arab countries send 40 per cent of the total remittances sent by Indians living abroad. Sooner or later Arabs will figure out that India is in bed with their number one enemy. Finally, if the Israeli-Palestinian dispute is ever resolved, it is not inconceivable that Muslims and Jews, who are much closer religiously than Hindus and Jews are, will pool their resources to form a combined lobbying group. Indian Americans

will have nowhere to turn then