Why are we still depending on coal?

We can reduce regional power disparities while also thinking about the future of energy

ABM Nurul Islam

ENERGY planning in Bangladesh has been chaotic so far, to say the least. As far back as the 1960s, when we, in the Atomic Energy Commission, were pleading with national energy planners not to burn our natural gas (a valuable raw material for many petrochemicals) primarily for electricity generation, it went unheeded. With 80 to 90 percent of electricity being generated by burning gas and with no new substantial gas field discovered since 2017, the country adopted gas rationing and electrical load-shedding as a means of meeting demand.

In the early 2000s, the Nooruddin (ex-vice chancellor of BUET) committee sounded the alarm regarding our looming gas reserve crisis. That should have been a wakeup call for serious brainstorming and alternative policy decisions.

The Bangladesh Nationalist Party (BNP) government of the time responded by adding just one 80 megawatt (MW) gas-fired power plant during their tenure (2001-6), but went on a spree of installing distribution poles (*thambas*). What good would that do if there was not enough electricity to distribute? Load-shedding became so bad that even in the Gulshan Diplomatic areas, electricity was coming on and going off every few hours.

After Awami League came to power in 2009, the new government realised that a quick solution was needed, and they found one in Rental Power Plants (RPRs) and Quick Power Rental Plants (QPRPs). These diesel or furnace oil-fired plants can be quickly installed (4-12 months) and connected to the grid. Although their generation cost was high, people heaved a sigh of relief at seeing an end to rampant load-shedding. The contract life of these RPRs/QRPRs was set at 3-5 years, after which they were to be retired. More economic, larger power plants were to replace them.

For reasons that defy logic, these RPRs and QRPRs were granted extra life from 5-15 years with a curious provision that if the units are idle, the government will pay them (the private owners) for keeping their units idle—resulting in huge drainage from the public exchequer.

Now, the country suddenly finds itself in the enviable position of having a substantially larger generating capacity compared to the demand (decreased substantially due to the coronavirus lockdown). For example on May 20, 2020, according to Bangladesh Power Development Board (BPDB) data, against a peak demand of 10,788 MW, the deliverable generating capacity was 19,107 MW. Let us celebrate this with a round of applause before becoming finicky.

The deliverable generating capacity came from 149 generating stations, with some generating as little as 10-11 MW each from fossil fuel. It is time to retire the small, old and inefficient units for a leaner and healthier grid. It is high time to give a decent phased burial to the RPRs and QRPRs.

It is also time to recognise that large areas of the country (particularly outside the cities) suffer daily load shedding. In the words of a *Prothom Alo* reader from remote Thakurgaon, freely translated—"We need to light a candle to see if the electric bulb is glowing!!" The disparity between the cities and countryside in getting reliable electric supply has to be addressed. The current generating surplus should be used to achieve that end.

Late Engineer Qamarul Islam Siddique is credited with the development of the rural road infrastructure that now enables the city dwellers to drive their cars to their village homes. We need a similar electricity czar who will bring our transmission and rural distribution infrastructure to a level that will encourage small industries to grow in the villages and reverse the flow of rural people moving to the cities for livelihoods. The government could aim to set up an export processing zone (EPZ) in every district if there was reliable electric supply.

FILE PHOTO

However, at this point, it is crucial to draw the attention of our current energy planners to the dark clouds gathering on the horizon. BPDB's future energy plan relies heavily on imported coal and liquefied natural gas (LNG). But long term supply of coal is becoming uncertain, not because coal is running out or becoming costly, but because the future of mining coal is becoming uncertain. Credit for this has to go to the anti-coal lobby, including Greta Thunberg and her host of young activists, who have driven the message home to the Davos leaders that quarterly profits should not be the "be all and end all" of global leaders. The future of this planet is jeopardised by global temperatures rising above the pre-industrial levels, caused mainly by coal-burning plants. To this end, the anti-coal lobby has targeted the insurers and re-insurers of coal mines and projects. The results are promising.

Even more than divestment of coal shares by some banks and pension funds, the withdrawal of insurance has the potential to make coal mining and coal-fired power generation businesses unsustainable because no project can run without insurance.

The first insurers to exit coal policies were all European, but since March 2020, two US insurers—Chubb and Axis Capital—and the Australian firms QBE and Suncorp, have pledged to stop or restrict insurance for coal projects, leaving Lloyd's of London and Asian insurers as the "last resort" for fossil fuels. Only companies underwritten by the state can operate without insurance cover.

Some states, instead of underwriting coal, are running away from it. The UK—where king coal launched the Industrial Revolution 250 years ago, making the UK the "workshop of the world" and helping set up the British Empire—is leading the way. Sixty years ago, it generated 80 percent of its electricity from coal, but it will be coal-free by 2025. Germany will be coal-free by 2038. Even China and India, the largest users of coal, are gradually winding down their dependence on it.

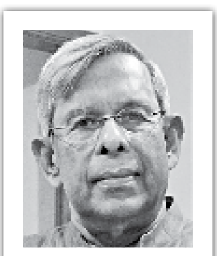
According to March 14, 2020 report of the Carbon Tracker Initiative, a nonprofit research organisation, it is already cheaper to build new renewables than to build new coal plants, in all major markets (including USA, China, India, Bangladesh etc). By 2030, it will be cheaper to build new renewables than to run existing coal—everywhere.

In this context, the energy planners of Bangladesh should rethink their policies after taking the following points into consideration—future uncertainty about the availability of coal, its large carbon footprint and the fact that it is becoming uneconomic compared to renewables and nuclear energy.

ABM Nurul Islam is a former BAEC and IAEA official.

FY20-21 Budget

Bangladesh's high stake gamble to keep its dream alive



Atiqur Rahman

BANGLADESH is braving the Covid-19 crisis to keep its dream of transition to middle income country alive by putting its economic growth rate for the fiscal year 2020-21 at 8.2 percent. This is to be pursued simultaneously with boosting farm production, tackling Covid-19, providing social security, and keeping unemployment low.

Bangladesh is not new to taking up challenges. It has grown steadily for several years (averaging a GDP growth rate of about seven percent per annum), enjoyed macroeconomic stability, a good foreign exchange reserve (USD 33 billion in May 2020) and low debt service ratio (7.2 percent in 2018). It also has good social sector achievements, including the reduction of poverty and hunger, compared to most developing countries.

But with Covid-19 still raging at full swing, can Bangladesh accommodate high growth while tackling the coronavirus, which requires social distancing (enforced through lockdowns) to fight it effectively? It is a tough call for the country in an uncertain economic and social environment.

The priority on growth may undermine the fight against Covid-19. The push for an annual growth rate of 8.2 percent for FY20-21 will require moving the country's economic activities full steam ahead, with finance, trade and services, manpower development, all moving forward in tandem. It will require the movement of goods and services and people across the country and beyond, and most importantly, it will require removing lockdowns.

The recent decision to withdraw the lockdowns did have the desired impact of movement of goods and services, and opening of shops and businesses, but it has also led to a significant spike in the Covid-19 infection rate. Currently, about 3,500 to 4,000 people are getting infected daily, and fatalities are mounting. It is anticipated that the infection rate may accelerate further in the days to come. With a high density of population, especially in urban areas, the underdeveloped public health care system, and poor compliance with lockdowns, the country remains a fertile ground for further spread of the coronavirus. The cost in terms of loss of lives and livelihoods can mount very rapidly.

The agricultural sector is also getting caught in the coronavirus trap. At the onset of Covid-19 infection in late March, thousands of people "fled" from urban areas to the relative safety of rural areas. They, and those already engaged in the rural and agricultural sectors, seem to have remained largely unscathed by the virus.

There is no guarantee that they will remain so in the future. People engaged in agricultural activities, carried out in the open with adequate space around, are naturally in the low risk category. But one cannot ignore the eventual spread of the virus to the people working in rural areas. Farm workers getting infected with Covid-19 may lead to labour shortages and eventually affect agricultural output. Food production may decline, and prices can increase, with negative impacts on the poor in both rural and the urban sectors. This eventuality seems remote, but it can be a possibility.

The financial challenge of restarting the garment industry is another hurdle for the new economic growth target. The readymade garment (RMG) sector employ nearly four million workers (mostly women) and it is a major foreign exchange earner of the country (USD 33 billion in 2018). The high growth scenario will require opening up of the RMG sector as soon as possible. The sector has suffered from lockdowns through lost production, lost export earnings and continued payment to furloughed employees. The government will undoubtedly be under pressure to provide support to the sector. One innovative way to do this could be to offer matching loans to well-conceived and jointly agreed private sector initiatives for restarting factories and exporting products abroad.

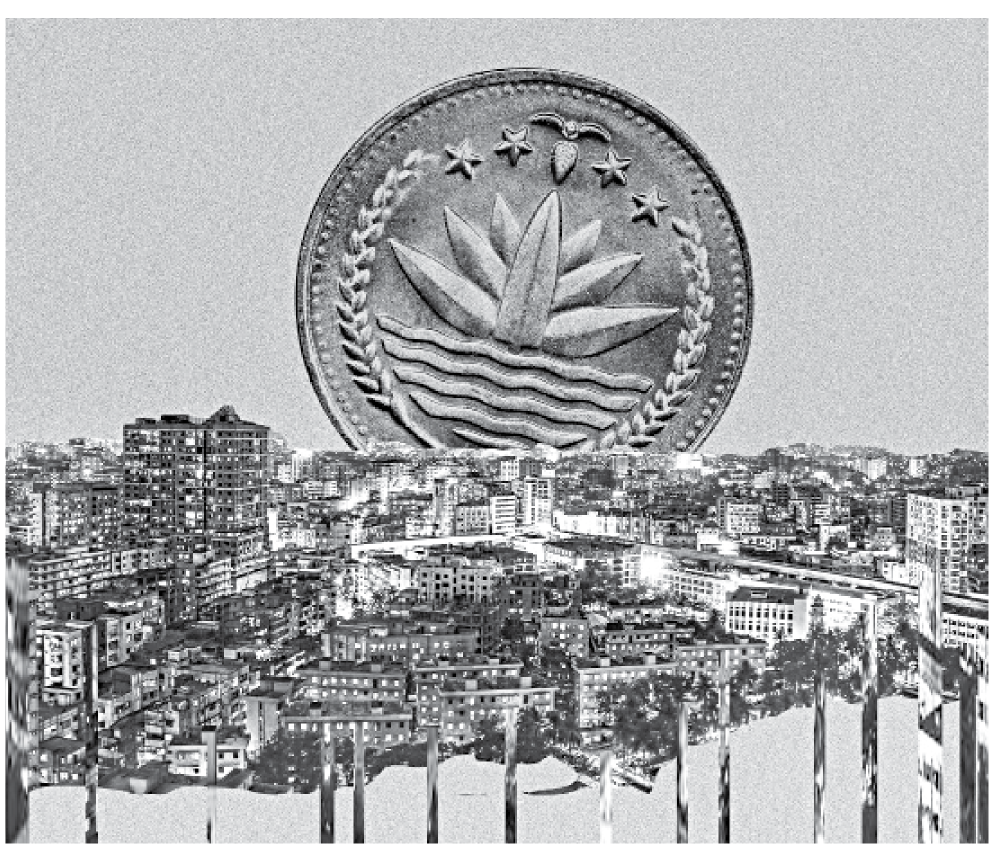


ILLUSTRATION BY **KAZI TAHSIN AGAZ APURBO**

There is also the issue of a slump in remittance income. Quite a large number of Bangladeshi migrant workers recently returned from abroad, and this trend may continue, with host countries themselves being increasingly affected by Covid-19. It is anybody's guess how the countries hosting Bangladeshi migrant workers will perform in the coming year, and what lies ahead for Bangladesh in terms of the flow of remittance income (which stood at about USD 15 billion in the pre-Covid-19 period). One could however expect that remittance income will go down steeply and recover very slowly when the Covid-19 infection subsides globally.

The financial sector underperforming and misfiring is a very real possibility in the new fiscal year. Bangladesh has regularly underperformed in terms of revenue collection. The new budget sets an ambitious revenue collection figure of Tk 3,300 billion. In the first half of fiscal year 2019-20, revenue from taxes fell short by Tk 318 billion, creating worries of a projected shortfall for the whole year that could be as high as Tk 800 to 900 billion. Government's bank borrowing soared to Tk 508 billion by January 15, 2020. Given this backdrop, it is unlikely that the FY20-21 revenue collection target will be met.

The money whitening opportunity through investment in the construction sector (housing) is an innovative one. It can work, but it is expected to increase the demand for construction workers. If this works, it will push up aggregate demand for the basic necessities of workers engaged in the construction sector. This will help keep agricultural prices up and favourable for the producers, but it can also have inflationary consequences, if supply fails to respond fairly quickly (for reasons mentioned above).

The huge budget deficit (Tk 1,860 billion) is expected to create significant demand for funds in both domestic and external markets, leading to increased pressure on the financial sector. External borrowing (estimated at Tk 800 billion) can probably be met, but domestic borrowing of about Tk 1,100 billion (of which Tk 850 billion will come from domestic banks), can create significant stress on the domestic financial sector, and crowd out the private sector.

It is still not clear how the combination of various stimulus packages, the refinancing schemes, the government's borrowing from Bangladesh Bank (Tk 150 billion) and re-lending at a four percent interest rate, will work out. Injection of funds into the economy can be effective if supply elasticity is positive and high. In the Covid-19 context, this may not be so. It can instead lead to a rise in inflation, which can eventually lead to lower living standards for the poor and for fixed income earners.

Will the gamble pay off? Fortune favours the brave, and Bangladesh has certainly gambled with a growth budget, rather than sticking to a cautious, protective, healthcare centric budget. Healthcare allocation has gone up, but at 6.1 percent of total allocation, it is at joint sixth place. The gravity of the Covid-19 situation would have called for a higher allocation for health, which could create space for pursuing the dual objectives of growth and fighting Covid-19.

Compromise between contending claims for resources can be restricted by the Covid-19 upsurge. However, the gamble could pay off with the helping hand of something that budget planners hold close to their hearts—the "carryovers". In the FY18-19 budget, the Annual Development Programme remained under-utilised by 39 percent. These figures do not show the actual realised surplus (a part of carryovers may be pre-committed). These leftover funds, or carryovers, can provide some relief to the financial authorities to pursue the dreams of the new budget.

Effective and field tested new medicines to fight Covid-19 can however be an immense game changer. It can tie up all loose ends and create space for pursuing the targets of growth as well as social and health objectives.

Atiqur Rahman is an economist, ex-Adjunct Professor at the John Cabot University, Rome, Italy and ex-Lead Strategist of IFAD, Rome.

ON THIS DAY IN HISTORY

RUSSIA INVADED BY NAPOLEON AND HIS GRAND ARMY

June 24, 1812

On this day in 1812, French Emperor Napoleon—who had massed his troops in Poland in the spring to intimidate Russian Tsar Alexander I—and 600,000 troops of his Grand Army launched an ill-fated invasion of Russia.

CROSSWORD BY THOMAS JOSEPH

ACROSS

1 Had longings
6 Showed nervousness
11 Dear, in Dijon
12 Without aid
13 Sign of sorrow
14 Future fungus
15 Harden
16 Fitting
18 Pert talk
19 "– was saying ..."
20 Victory sign
21 Tea cooler
22 Detecting device
24 A party to
25 Staring stupidly
27 Captivated
29 Shoe part
32 Building wing
33 For every
34 Bullring cry
35 Mud bath site
36 Bonanza stuff
37 Used to be
38 Highway divisions
40 Skilled
42 Quarter doubled
43 Swear
44 Gofer's work
45 Carwash worker, at times

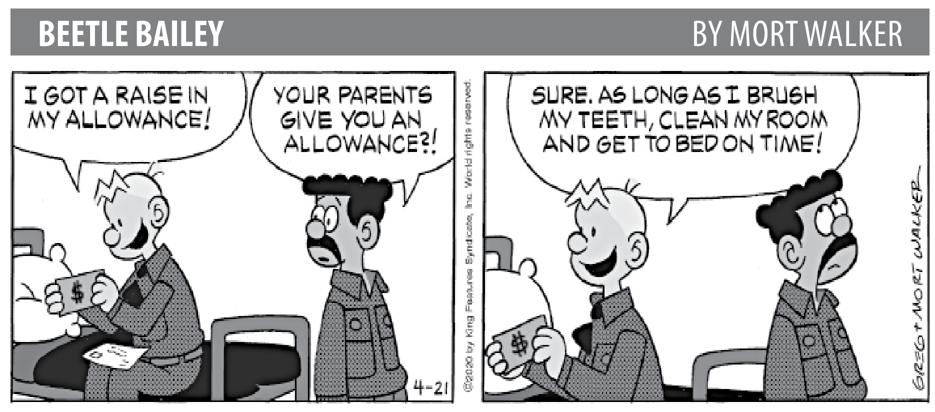
DOWN

1 Stands in for
2 Fondue stuff
3 Systems with boilers
4 Mess up
5 Repudiate
6 Cut's counterpart
7 Swiss peak
8 Power plant sights
9 Opera's Caruso
10 Intensify
17 Less languid
23 Held a session
24 Powerful people
26 Close
27 Move on the schedule
28 Liama's kin
30 Go by
31 Annoy
33 Fence supports
39 Mouse-spotting cry
41 Couple

YESTERDAY'S **ANSWERS**

P	A	C	E	S	■	T	A	R	T	S
E	R	O	D	E	■	E	Q	U	A	L
A	T	O	N	E	■	R	U	G	B	Y
■	■	K	A	H	U	N	A	■	■	■
W	E	E	■	E	S	S	■	L	A	W
E	N	D	U	R	E	■	B	O	D	Y
B	O	O	K	E	D	A	R	O	O	M
B	L	U	E	■	C	H	A	K	R	A
S	A	T	■	B	A	E	■	E	E	N
■	■	■	E	R	R	A	N	D	■	■
W	A	L	D	O	■	D	A	F	F	Y
O	M	E	G	A	■	O	V	O	I	D
O	P	T	E	D	■	F	E	R	N	S

BEETLE BAILEY BY MORT WALKER



BABY BLUES BY KIRKMAN & SCOTT