CPD backs renewable energy, not LNG, as alternative to coal

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) yesterday welcomed the government's move to abandon coal-based power plants as it would help the country save $3.3 billion in import payment annually and protect the environment.

The think-tank, however, opposed the plan to replace the to-be-abandoned coal-based power plants with liquified natural gas (LNG) and recommended the country adopt renewable energy instead.

"The recent initiative of the Ministry of Power and Energy to abandon coal in power generation is a right move. However, the alternative of the coal should not be LNG," said Khondaker Golam Moazzem, research director of the CPD, while making a presentation during a virtual media briefing.

"Shifting from coal to LNG will be a move from one form of fossil-fuel to another form of fossil-fuel use, which is also environmentally polluting."

The power, energy and mineral resources ministry has recently sought approval from the Prime Minister's Office to abandon the use of coal in power generation, according to the CPD.

Twenty-two coal-based power plants, both public and private, have been identified with a total generation capacity of 23,236-megawatts.

These include the plants that are currently under implementation, have received letters of intention and no objection certificates or are at the planning stage.

The government would keep three coal-based power plants in Paira, Rampal and Matarbari.

Now 525 MW power is generated from three units at Barapukuria in Dinajpur using local coal and another 622 MW from the first unit of Paira coal-based power plant, which uses imported coal.

The CPD, however, did not appreciate the ministry as it is still not targeting clean energy-based power generation.

"Given the over-generation capacity, there is no need to rush to select LNG as an alternate for power generation."

According to the Power Sector Master Plan 2016, electricity generation would stand at 24,000 megawatts in 2021, 40,000MW in 2030 and 60,000MW in 2041.

Gas or LNG would account for 35 per cent of the energy-mix in 2041, coal 35 per cent, import or renewable 15 per cent, nuclear 10 per cent and oil 5 per cent.

Curiously, the CPD said, the ministry raised the logic of LNG-based power plants as an alternative to coal-fired power plants.

Two floating storage regasification units (FSRUs) for LNG power plants with a capacity of 1,000 million cubic feet of gas per day have been established and the super-chilled power is being imported accordingly.

Ten LNG-based power plants with a capacity of 12,155 MW of electricity are being implemented.

The LNG-based power plants have been considered by the ministry as environment-friendly. The low price of LNG in the global market has been presented as a major argument.

The arguments made in favour of LNG as alternate sources are weak and one-sided, the CPD said.

Huge capital expenditure would be required for regasification terminals that could soon be supplying very expensive electricity compared to renewable alternatives.

LNG has about the same carbon emissions as coal when taken into account fugitive methane emissions from fracked gas and the energy costs involved in liquefaction and regasification, the CPD said.

"Solar is the best option in all accounts compared to that of LNG in terms of replacing coal except that of the requirement of land."

If the government decides to abandon coal-based power plants it would have major budgetary implications.

Without any allocation disbursed after June 2020, Tk 25,650 crore could be saved. If the decision is made after June 2021, the total amount of savings would reduce to Tk 20,535 crore.

Abandoning coal would help reduce import payment.

Bangladesh spent $381.3 million in FY2019 to import coal for the 1,320-MW Payra power plant in Patuakhali.

Without abandoning the coal, increased generation of electricity by coal would increase import payment to as high as $3.3 billion, the CPD said.

If 10 out of 18 ongoing projects are abandoned, it would save public investment by Tk 25,651 crore.

As per the current plan, 4,495 MW of LNG-based power plants will be established by 2025. It will increase to 11,645 MW by 2037.

The CPD paper said import payment of LNG has been increasing and would sky-rocket in the coming years if the additional LNG-based power plants are undertaken.

In 2019, an amount of $114 million was spent for importing LNG. This would increase significantly in the coming years.

Replacing coal by LNG would mean that the super-chilled fuel would account for 70 per cent of the energy mix.

The unit price of electricity from LNG-based power plant (not blended with domestic gas) would be much higher and it would not be the cheaper option.

The ministry should refrain from setting up LNG-based power plants in the sites of abandoned coal-fired power plants, the think-tank said.

Despite all the potential, renewable energy has never got adequate attention from the ministry.

About 1,482 MW renewable energy would be generated by 2025. And there is no plan to add renewable energy after 2025.

Overall, a total of 1,552 MW renewable energy has been targeted, which will be only 2.8 per cent of total capacity in 2041.

If the would-be-abandoned coal-based power plants are shifted to solar power plants, they would generate a total amount of 4,779 MW of electricity.

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RECOMMENDATIONS

- Abandon coal
- Focus on renewable energy, not LNG
- Renegotiate with development partners to redirect funds to renewable power projects
- Go for exploration at the Bay of Bengal
- Formulate appropriate strategies.

OBSERVATIONS

- Abandoning **10** ongoing coal-based projects would save public investment by Tk **25,651**cr
- $**3**b in import payment would be saved annually if coal-fired power plants are not set up
- Huge capital expenditure is required for regasification terminals
- LNG has about the same carbon emissions as coal
- Despite potential, renewable energy has never got adequate attention
- Maximum electricity demand would be lower than projected

Insurance stocks on upward curve

AHSAN HABIB

Insurance companies have been witnessing an uptrend among their shares over the last couple of months thanks to the Insurance Development and Regulatory Authority's (IDRA) move to limit commission payments to agents, according to industry analysts.

Overall turnover from insurance stocks jumped to Tk 2,504.73 crore in August, accounting for about 13.45 per cent of that month's total turnover, as per data of Dhaka Stock Exchange (DSE).

This is a 143 per cent increase compared to the previous month when it had stood at Tk 1030.39 crore.

The insurance sector came in second in the August ranking of entities with top turnovers. Pharmaceuticals took the top spot.

In 2012, the IDRA issued a circular barring insurance companies from paying more than 15 per cent of the premium as commission to their agents.

However, most insurers disregarded the directive, prompting the regulator to issue a notice in late 2019 urging compliance for the sake of the sector's well-being.

Many companies offered as high as 60 per cent of the premium as commission to secure business, which has hurt the industry, especially firms with good performance records, industry insiders said.

But in a meeting with Bangladesh Insurance Association last year, insurance companies collectively agreed to follow the order in a bid to keep the sector alive.

"Since insurance companies are now maintaining lower commission rates, it will positively impact the sector's revenue," said Khairul Bashar Abu Taher Mohammed, chief executive officer of MTB Capital.

Investors are becoming increasingly interested in insurance stocks and the trend is ongoing, he added.

As of yesterday, nine out of the top 10 gainers listed on the DSE trading board were from the insurance sector.

Of the 48 listed insurance stocks, six dropped while one remained the same and 41 advanced.

Tosrifa Industries led the list with a 9.91 per cent increase.

Fellow gainers include Provati Insurance, Meghna Life Insurance, Asia Insurance, Global Insurance, Pragati Insurance, Dhaka Insurance, Janata Insurance, Takaful Islami Insurance and Federal Insurance.

Gambling very much likely acted as the short-term catalyst behind the sector's growth as the risk-takers were attracted to the lower paid-up capital being maintained by the insurance companies, according to a brokerage's top official preferring anonymity.

"Whenever they get any news, they use it," he added.

The long-term catalysts were the regulatory reforms which attracted investors to the sector.

So, the presence of insurance stocks in the top gainers' and top turnover lists has been a common sight for the last couple of months, the official said.

Meanwhile, sponsors of some insurance companies were not holding the minimum number of shares stipulated by the Bangladesh Securities and Exchange Commission (BSEC), which also had an impact on share prices, he said.

In 2011, the stock market regulator declared that every sponsor had to hold a minimum of 2 per cent of the company's shares while a maximum of 30 per cent of the shares could be held jointly.

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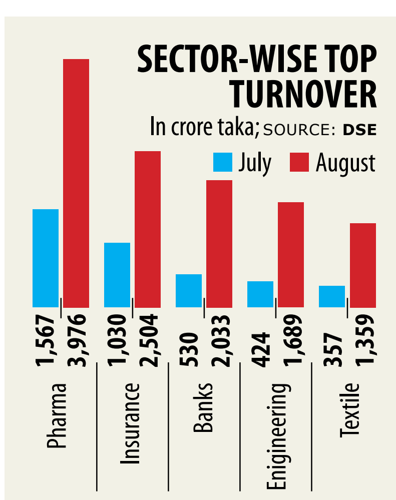

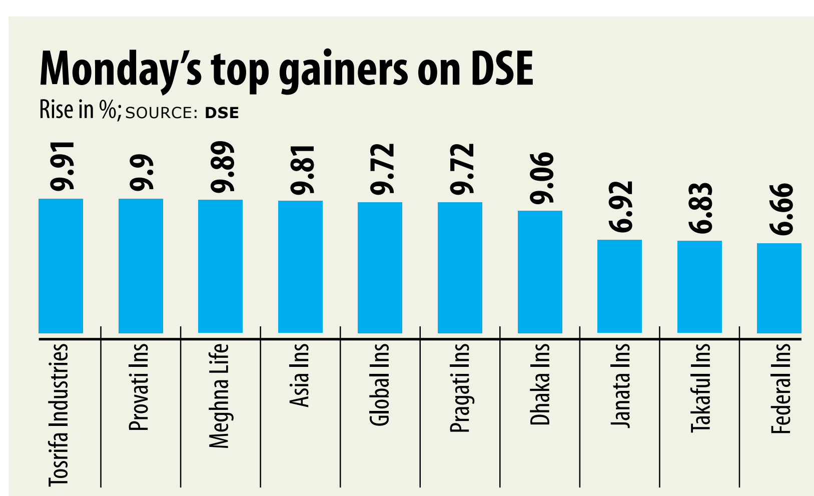

NRBs may be allowed to invest in wage earner dev bond

STAR BUSINESS REPORT

Non-resident Bangladeshis (NRBs) employed by foreign airlines and shipping industries will likely be allowed to invest in the high interest Wage Earner Development Bond (WEDB), said two officials of Bangladesh Bank and the Internal Resources Division (IRD).

"We are considering whether to issue a clarification in this regard," said a senior official of the central bank.

The official shared the plan following a Bangladesh Bank circular issued in September, regarding the eligibility requirements to purchase WEDBs as outlined by the IRD, a government body operating under the finance ministry.

However, the recent notice said that pilots, cabin crew and mariners working with foreign organisations are ineligible for the scheme.

This led to the confusion among the NRBs working abroad as it did not clarify whether NRB pilots, mariners and cabin would be able to invest in the bond.

The IRD has suggested that Bangladesh Bank should issue another circular to restrict purchases by Bangladeshis who live here but earn in foreign currency by working at international agencies, such as the World Bank and the United Nations, he said.

However, NRBs will be able invest in the bond and so, IRD will ask the central bank to issue an instruction in this regard in order to clear any ambiguity.

Pilots and mariners living abroad for 180 days or longer will also be able to buy the bond, the IRD official said.

However, pilots, mariners living here would be ineligible to buy the bond, he added.

The five-year tenure WEDB has 12 per cent interest on maturity and NRBs have so far invested around Tk 15000 crore, according to data from Bangladesh Bank.

Nagad to make MFS account-opening faster for Grameenphone users

MFS provider crosses 2cr subscribers' milestone

MD FAZLUR RAHMAN

Bangladesh's mobile financial service is set to take a major leap forward in the coming months after Nagad has introduced a quick account-opening process for mobile phone subscribers.

Subscribers of Robi-Airtel and Teletalk can already open Nagad account in two steps by simply dialling *167# and setting up the PIN (personal identification number) and this takes only a few seconds.

With this, potential users don't need to visit agents with the national identification number and photographs to open an MFS account as mobile phone operators already have their users registered with their NID and biometric authentication. Nagad uses the same customer data to open the accounts.

The opening of account through the short-code is even easier than opening an account even on its app.

"It is super-easy," said Rifat Jahan, a homemaker who lives in the capital's Mirpur, after opening an account with Nagad.

The fast-growing mobile financial service provider is now running a trial with Grameenphone, Bangladesh's largest mobile phone operator, and hopes to roll out the simplest account-opening process within the next couple of weeks.

Once the system is up and running officially, it would give the country's majority of the 16-crore-strong mobile phone subscribers an opportunity to open an MFS account in a quick manner.

The total number of mobile phone subscribers reached 16.13 crore at the end of June this year, according to the Bangladesh Telecommunications Regulatory Commission (BTRC).

Grameenphone, the market leader, has 7.45 crore subscribers, Robi Axiata 4.8 crore, Banglalink 3.4 crore and Teletalk 47 lakh.

Because of the tie-up with Grameenphone, Robi and Teletalk, Nagad would actually have a targeted group of customers of 12 crore who could be its users.

The second-largest MFS operator after bKash is also in talks with Banglalink to initiate the similar account-opening process with the country's third-largest mobile phone operator.

"Nagad's customer numbers climbed after its tie-up with Robi-Airtel and Teletalk and it would get a massive boost once the opportunity for Grameenphone subscribers is officially inaugurated," said Muhammad Zahidul Islam, a spokesperson for the MFS provider.

Earlier, on March 26, Nagad introduced digital KYC (know your customer) as the first financial service company in the country, in another step that speeds up the process of registering customers and ensure customers authentication.

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KEY POINTS

- A two-step process is required to open a Nagad account. Dial *167# and set up PIN -- that's it.
- No photograph or NID is needed to open a Nagad account as mobile operators already have that information
- Nagad's customers number crossed 2cr in first week of August
- Bangladesh has 16.13cr mobile phone users, of which 7.45cr use GP, 4.8cr Robi Axiata, 3.4cr Banglalink and 47 lakh Teletalk
- Nagad currently targets 12cr customers of GP, Robi and Teletalk
- Similar deal with Banglalink on cards