

People's right to know -- the politics of energy

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THE international oil industry and those who professionally followed political and economic developments of the world oil situation witnessed that Middle East options had reached a critical point in early 1973. The Arab oil countries literally had more billions of dollars than they knew what to do with. They also knew that Middle East, which was supplying 80 per cent of international oil, having three-fourths of the world's proved oil reserves, could meet the soaring oil demands of almost all the consuming countries. Such a situation must have a glowed the Arabs. However, the majority of Americans, in government and out, stood aghast and publicly pooh-poohed Arab threats.

In fact, while only a few Americans had taken the Arab unity (a rare phenomena) seriously, the Arab students had been vigorously studying American energy surveys more closely than the America's own Congress. Soon the Arabs knew the extent of the energy crisis in which the United States was already involved and how long it would take to solve the problems. As a student of post graduate class in an American University in the mid seventies, the author met many Arab students who later filled their respective national oil companies. They were more aware of the vulnerability of the oil consuming countries than the consuming countries themselves. For instance, Bangladesh's First Five Year Plan (1973-78) estimated the need for about US\$ 100 million for five years (US\$ 20 million annually) for procurement of oil from abroad. This figure quadrupled due to the energy bomb that was dropped by OPEC in November 1973. (Thirty years later in 2003, the

country's oil bill increased 30 times from 1972 price to US\$ 600 million annually).

The international energy crisis of 1973 however offered Bangladeshi planners and policy makers an opportunity to think seriously about the country's energy future. The Planning Commission of the early seventies was a powerful instrument of the newly independent government. It took the stewardship of the energy planning as well. Prof. Rahman Sobhan, Member, Planning Commission (with the rank of a State Minister), as the focal point, gave a positive direction for the energy development of the country. Dr Kamal Hossain, an eminent young lawmaker of the country was made the second Minister for Petroleum and Mineral Resources. Dr Habibur Rahman, Chairman, Petrobangla played his patriotic role in the forward looking gas development of the country, which is still remembered widely. The Planning Commission, under the able leadership of Deputy Chairman (the rank of a Cabinet Minister) Prof. Nurul Islam, created a think-tank for the nation. The concept evaporated after he departed.

Faced with an overnight pressure on procurement of oil at a much higher price in nineteen seventy-four the Commission decided to take stock of the domestic energy sources and plan for the future energy mix of the country. Thus, without much loss of time, the first comprehensive ADB-UNDP sponsored Bangladesh Energy Study (BES) was initiated, which was coordinated by the Planning Commission. The Study itself was headed by Dr Nazrul Islam, Division Chief Planning Commission and assisted by eminent professionals such as Dr

Abdul Matin (later Chief Engineer) of the Atomic Energy Commission, Mr M A Zahid (later Director General) of the Geological survey, Mr Moqbul Hossain, (later Division Chief) of the Planning Commission and Mr Panu Alam Jahangir, a senior engineer of the Power Development Board etc. As Deputy Chief of the Planning Commission, the author was assigned to act as Member-Secretary of the Study, a rare opportunity for a young professional of a newly born country. The Study allowed some core members of the team to visit and interact with the counterpart specialists working in the Meta-Systems (USA), Montreal Engineering (Canada) and Snam-Progetti (Italy). Some of the recommendations of the BES was incorporated in the preparation of the Energy Sector document for the subsequent Five Year Plans Mr S M Al-Husainy, an eminent engineer, became the Member, Planning Commission (Energy Sector). He initiated the follow-up Energy Study in the late 1970s under the title "Bangladesh Energy Planning Project" (BEPP). A young engineer (a bright teacher in BUET), Dr Nurul Islam, was closely associated with the BEPP in addition to most of the members of the team.

After that the Planning Commission fell from the heaven. Without giving specifics, it was evident that in the foreseeable future, the Plan-

ning Commission will gradually sink and it actually did. The action was deliberate. There had been behind the scene battle between the bureaucrats and the professionals. The professionals favoured speaking in terms of the realities. But they lost. Never the less it was felt politically unwise to invite controversy on the subject rather push out some professionals of the Planning Commission to different Ministries and Corporations. The compromise was that, like the fine print in an insurance policy, a paragraph appeared in the official background summary and fact sheet issued by the Establishment Division of the Government. The net loss for the nation is that the Planning Commission now appears like a back-page of the Ministry of Planning!

Be that as it may, the Ministry of Petroleum and Mineral Resources undertook several bold steps that turned into milestones in the history of energy development of the country. Petroleum Act was enacted in 1974; all the eight gas fields with a reserve of about 9 Tcf were bought out from foreign oil companies and was transferred to the newly created Petrobangla (Oil and Gas Corporation). The country was divided into 16 blocks including 6-offshore blocks. As a part of the policy, only offshore blocks were awarded to six international oil companies (IOCs) and the onshore blocks were mostly reserved for Petrobangla (a state owned enterprise). The post of the Chairman of Petrobangla (Dr Habibur Rahman) was upgraded to the status of Secretary of the Government and the Petroleum and Mineral Resources Division (P&MR) was placed under the Chairman, Petrobangla. Through a conscious decision, a new era for professional development was initiated which was soon reversed. Bureaucracy regained its lost empire with the change of government in 1975. Since then the bureaucrats are riding the energy horse with ease and comfort, but the sector is facing the energy shortages and there is hardly any effort to avert genuine energy crisis even now.

Let's now move back to the international arena of oil. In the early 1960s a tussle ensued between the Anglo-American oil companies and the Middle East oil producers. I first hear of OPEC as a student of Geology in early 1960s, after it was formed and named as Organization of Petroleum Exporting Countries (OPEC). I recall that the two major oil producing countries oil ministers Sheikh Abdullah Tariki of Saudi Arabia and Dr Juan Pablo Perez Alfanso of Venezuela got together as pioneers to form OPEC. Venezuela at their time was one of the largest oil producing country (outside communist block) near the United States. Saudi Arabia and Iraq were the two largest and second largest producers of oil. Under 1943 Petroleum law, Venezuela was the first country worldwide to establish the principle of 50:50 profit sharing between the government and the International Oil Companies (IOCs) who obtained concessions to explore for and develop oil. Prior to that the IOCs had always got the lions share. Soon the concession policy was changed to Production-Sharing Contract (PSC) at the behest of Indonesian government, which was adopted by the government of Bangladesh in 1974.

The two oil ministers of OPEC as part of their plan visited Baghdad. The Iraq government promptly announced that the governments of five oil producing countries -- that were supplying 80 per cent of all oil moving in international trade -- Iraq, Iran, Kuwait, Saudi Arabia and Venezuela would meet to protest against the IOCs price setting, production and non-disclosure of information. Within

four days OPEC was formed. The White House bosses were alarmed. They remember how Iraq took leadership to whip the US government. The American's have never forgotten those episodes although initially they thought OPEC was the brand name of a new toothpaste!

The formation of OPEC surprised the US government but the oil companies either did not take the two leaders seriously or thought OPEC would soon be tamed. In the past forty-three years OPEC's power enhanced. So, the US government cut the tails in stages of Saudi Arabia, Kuwait, Abu Dhabi and Nigeria so that they cannot fly. Finally, they hit Iraq with the most destructive weapons and took control of their oil in March 2003. The OPEC has become an orphan now because Saudi Arabia as the swing producer is playing cat and mouse game with other OPEC members to satisfy the US Government.

The recent move by the Venezuelan President Hugo Chevez to replace the dollar by Euro has obviously generated anger as it did with Iraq, when Saddam chose to exchange the oil for Euro in November 2002, sealing his fate. Further resentment was caused by Venezuela's decision to barter its oil with some other Latin American countries denting on the ongoing dollarization of South America. Unlike Iraq, Venezuela was not invaded (and perhaps will not) by the United States. Instead CIA was reportedly engaged in various covert operations including the recent failed military-led coup in April 2002. As dollar has been already devaluating against Euro, many other countries like Russia, China, Malaysia has started to hold Euro as part of their foreign exchange reserve. Under such a climate a move by OPEC to switch to Euro would cause a massive devaluation and consequently initiate a domino effect. Wouldn't that jeopardize the undue appetite for 30 per cent of the total world oil

by only 6 per cent population of the world (Americans)?

Let's now go back to the history of those two great personalities -- the creators of OPEC in the 1960s. Those two men, with such totally different backgrounds and heritages, were unlikely collaborators in a plan, which ultimately changed the course of world economic history. Perez Alfanso, a lawyer, came from the Venezuelan elite, Dr Tariki, an American educated geologist, came from a desert bedouin tribe. However, both men were more similar than dissimilar. Each one was a philosopher, an idealist and odd sort of mystic. They were tough and gentle at the same time. In Bangladesh, in the early seventies (prior to 1975), we also were graced with such dignified and dedicated persons: Dr Kamal Hossain, a lawyer who came from the elite class to become the Petroleum Minister and Dr Habibur Rahman, an eminent geologist (a DSC from Clorado School of Mines, USA) as the torch bearer for oil and gas development in Bangladesh.

Dr Rahman like Dr Tariki and Dr Kamal Hossain like Alfanso Perez put country and cause ahead of self. Dr Rahman in particular had a vibrant charisma and was persuasively articulate. Because of his passionate belief for the cause of Bangladesh his followers were ardent. Messrs SKM Abdullah, (former Chairman, Petrobangla), the author, CM Moshin (former Secretary), Serajul Majid Mamoon (former Titas Gas Manager and TV news caster) were associated with Dr Rahman's thought process and his analysis on social justice and peoples participation in the national development. Dr Habibur Rahman was never politically ambitious nor did he ever play to the gallery. That is why he is remembered even today. More importantly, the events Dr Rahman precipitated outpaced his own living time. Through a policy and legal coverage Petrobangla

was created in 1974, which has come in as the lengthened shadow of Dr Habibur Rahman. Between Dr Rahman and Dr Kamal Hossain they formulated a vision plan for hydrocarbon exploration and exploitation in Bangladesh.

But, the vision of the 1970s is apparently lost now. It also seems that we will continue to debate on the distortions of the Production sharing contracts created by the bureaucrats in the 1990s. The political oversights and manipulations seem to have aggravated the situation from bad to worse only to satisfy the gas appetite of the oil companies. Apparently, there is confusion and disbelief. Yet the hon'ble state minister for energy is pursuing the issue of gas export with the zeal and dedication that has been devoted to man's first landing on the moon. The Citizens of Bangladesh hear more about gas

export than they had ever wanted to know or imagined. They find themselves awash in a tidal wave of conflicting opinions. Many allege that the non-action of the authorities for improving the energy situation in the past two years appear more confusing. There are those who say the crisis is temporary. Others forecast that the situation would persist for long. There are those who claim that the crisis is not real but has been created by the international oil companies to achieve their desired goal...

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