

Running on empty

The energy sector may prove to be a Waterloo for the current government. It should, therefore, put its best general and soldiers in this battlefield and do its best, along with thinking about how to proceed. Otherwise, it may prove to be difficult to win the battle.

NAZRUL ISLAM

THE country needs a two-pronged strategy to overcome the energy crisis, one for the short-run, and the other for the long-run. It is clear that setting up of large power plants cannot be the strategy for the short-run. These plants can produce power with lower per unit cost, using economies of scale. However, they require a long time to set up, between 4 to 5 years, in the best of circumstances.

The short-run solution lies in reduction of system loss, maximum utilisation of the existing plants, quick expansion of their capacity where it is feasible, and creation of conditions so that small scale power units can mushroom in the private sector for captive use and as additions to the national grid.

An important relevant distinction is between power generation using domestic fuel (mainly gas) and power generation using imported fuel (furnace oil, diesel, coal, LNG, etc.). For long-run equilibrium and efficiency, the prices of power produced from these two types of fuel have to equalise.

At present, the price of power produced by using domestic fuel is kept low by paying Bapex only Tk.25 per cft of gas and about Tk.3,000 crores to foreign companies to buy back Bangladesh gas from them at Tk.210 per cft, and then supplying it to power plants and fertiliser factories at subsidised prices. By comparison, the price of power generated through using imported fuel is much higher.

This price differential is proving a major obstacle to expansion of power generation using imported fuel in the

private sector, because the private sector is waiting for the day when it will receive subsidised power from the public sector. Elimination of this price differential is a necessary condition for mushrooming of power generation in the private sector.

Establishment of power price parity would require equalisation of prices of domestic and imported fuels by pricing domestic fuel at its border price. Of course, it will be difficult to establish this parity overnight. However, there are many steps that can be taken to narrow the difference to motivate the private sector towards power generation.

On the side of domestic fuel generated power, first, a distinction may be made between household use and commercial use, and the price for the latter brought up gradually to a level that corresponds to zero fuel subsidy. Second, the price for domestic use may also be adjusted at a slower pace and through introduction of slab pricing so that the small scale, low-income users are burdened less.

On the side of imported fuel generated power, an immediate step would be removal of all tariffs and duties on import of generators, accessory equipments, and fuel (furnace oil, diesel, coal, etc.) necessary for power generation.

Since this step alone will not remove the price differential, the government may subsidise private sector power generation to cover the gap that remains between the adjusted price of domestic fuel based power for commercial use and the cost price of imported fuel based power.

Thus, a declaration of the goal of equalisation of power price, together with a suitable timeframe, can be an effective first step in the right direction to over-

coming the power crisis.

First, this goal and associated policies will remove uncertainties and provide a clear signal and necessary incentives for the private sector to engage in power generation.

Second, it will enable the government to pay Bapex a higher price for gas, and greater cash flow will enable Bapex to engage more energetically in oil and gas exploration and extraction.

Third, the price parity goal will give a clear benchmark for deciding which domestic fuel to extract and use, and thereby a guideline to decide about thorny issues regarding coal.

Fourth, the parity principle will provide the link between the short-run and the long-run by furnishing the criteria for deciding which large scale power projects the government should build in the public sector.

In light of the above, it is worrisome that the government moves so far have not all been in the right direction. First, it has not laid out a clear analysis and vision linking the short and long-run in an operational manner.

Second, for the short-run, it has concentrated almost entirely on rental power plants, which are very expensive. By contrast, it has not given Bapex enough resources to extract more gas from the existing wells and to bore new wells. According to some estimates, with little investment, Bapex could extract an additional 150 million cft gas and thus fill a significant part of the current shortfall of about 200 million cft.

Third, instead of relying on national capability in the country's public and private sector, government officials are running after foreign companies.

When there is about Tk.25,000 crore of excess money in the banking sector, waiting for investment opportunities, and when Bangladeshi companies are pressing for permission to invest abroad, energy officials spent valuable time and foreign exchange to hold "road shows" abroad to attract foreign capital!

Though the government reportedly paid Tk.385 crore to Chevron to buy its junk equipment on an unsolicited basis, it



Bangladesh energy crisis: Time to refill the tank.

cannot find Tk.75 crore for Bapex to buy a rig. Not content with handing over offshore blocks to foreign companies, the energy adviser reportedly expressed his resolve to hand over more on-shore blocks to foreign companies.

The country is already paying about Tk.3,000 crore every year to buy back its own gas from foreign companies. How much more money do these officials want to hand over to foreign companies? In 1972, Bangabandhu himself initiated a national capability based energy strategy by buying the gas fields from Shell.

It was expected that his daughter's government would take the country back to that nationalist, self-reliant path. Unfortunately, her energy officials seem to be moving in the opposite direction.

Meanwhile, interested quarters are trying fish in troubled waters! They are

trying to get the AEC/GCC project of mining Phulbari coal for export approved, portraying it as an immediate solution to the energy crisis. They want people to forget that the Barapukuria coal project took almost 12 years to start operations (that too prematurely, as it turns out) and produce coal, reportedly, at \$112 per ton currently, when the world price is \$50.

Can this experience be a reason to jump for the discarded AEC project, under which coal will be exported in exchange for a pitiful royalty and huge environmental, human, and economic costs -- to be borne by Bangladesh for generations?

It may be noted that successful Asian countries such as Japan, Korea, Taiwan did not have domestic fuel. By contrast, Nigeria, despite its huge oil wealth,

extracted by Shell, failed to grow. Between 1975 and 2000, its per capita GDP fell by over 15 percent, and the number of people below \$1/day poverty line quadrupled from 19 to 84 million.

So, beware the foreign merchants who promise to solve the country's energy crisis just to ship away the country's coal! For economic development, it is not as important to have domestic fuel as to have the right energy strategy and policies.

The energy sector may prove to be a Waterloo for the current government. It should, therefore, put its best general and soldiers in this battlefield and do its best, along with thinking about how to proceed. Otherwise, it may prove to be difficult to win the battle.

Dr. Nazrul Islam is a former Professor of Economics of Dhaka University. Email: nislam13@yahoo.com.

Gordon Brown's walk into the twilight

For an era which had become used to seeing politicians as rock stars of a sort, Brown came across as a dour leader in whom charisma and humour played no part. He was a serious man intent on remaining the serious politician he had always been.

SYED BADRUL AHSAN

YOU could detect a faint cracking of the voice in Gordon Brown as he said farewell before 10 Downing Street last week. And it was only natural, considering that the man was giving up power, and everything that came with it, with great reluctance. He had been a brilliant chancellor of the exchequer; and his admirers believed that he would be a brilliant prime minister as well. In the event, circumstances conspired to work against him.

Replacing Tony Blair was a moment of happiness, of course. But then came those falling numbers in the polls, so much so that Brown was forced to hold back on his plans for a general election within months of going into Number 10. He clearly believed that by May this year, the poll ratings for Labour would rise,

enough to give him his own majority in the House of Commons.

That hope has now been dashed, of course. Gordon Brown is now back home in Scotland, probably trying to figure out where things had gone wrong. If you go back in time, you will recall the surefire way in which he and Tony Blair remoulded the Labour Party (and that was in 1994) following the sudden death of John Smith. These two young men, both prime minister material, chiseled away at everything they thought would prevent a return of their party to power.

The Conservatives, under Margaret Thatcher and then under John Major, had seen to it that Labour stopped short of gaining power, indeed that the possibility of its re-rise to political prominence would not be there for a long time yet. James Callaghan, Michael Foot and Neil



Kinnock had all been laid low. John Smith just might have made it, but mortality then came in the way.

It was left to Brown and Blair to power the Labour machine back to the Olympian heights of politics. And this

they did with verve, with style, with glamour in May 1997. They called themselves New Labour. The two men, together with the likes of Peter Mandelson, were in charge of a refreshingly new political project in the United Kingdom.

But if the preparation for power was marked by camaraderie between Blair and Brown, the coming into it was a gradual opening of a rift between them. The chancellor saw not a sign in Blair of making way for his own turn at Number 10, despite the deal they had reached earlier. Blair was to preside over three general election victories before he would, rather unwillingly, transfer power to Brown.

In the event, Brown was to last just two years and ten months as prime minister. There was, of course, a flicker of hope that his fortunes could be turned around when he presided over a summit in London to handle the global recession then making havoc of economies everywhere. His was the first bold measure aimed at shoring up a faltering Western economic system. The others quickly fell into line. It was a measure of the intellectual prowess which had always defined the Brown character. But it did not help.

For an era which had become used to seeing politicians as rock stars of a sort,

Brown came across as a dour leader in whom charisma and humour played no part. He was a serious man intent on remaining the serious politician he had always been. He spoke well, with great dignity, without a stammer. He had a thick voice, one that reminded you of Richard Nixon. Like Nixon, again (but without the sinister shades of the unfortunate American leader), Brown did not arouse great public enthusiasm.

Now that Gordon Brown is gone, with little chance of ever making a comeback, you reflect on all the other sad farewells you have experienced over the decades. In 1964, a sad Alec Douglas Home lost the election to Harold Wilson. In 1974, Wilson, having lost to Edward Heath in 1970, was to return and turf Heath out of power. In her time, the formidable Thatcher left Downing Street with a tear in her eye.

You may not miss those who have gone before Brown. But, in Brown's absence, you will spot a certain emptiness, that palpable feeling that a bit of Greek tragedy has been at work. He has gone, like Winston Churchill in 1945. Chances are he will not return, as Churchill did a few years later. The sun has set.

Syed Badrul Ahsan is Editor, Current Affairs, The Daily Star.

Member of Parliament Order?

Any addition of schools should be publicly announced, with the details of the quality of the schools and whether they meet the rules of the ministry of education. It is time for the government to be firm in its approach to the issues of public interest, and education is certainly of special interest to the people of this country.

MUSLEHUDDIN AHMAD

THE MPO list prepared by the relevant committee was announced after having met all the rules and regulations of the Ministry of Education. Nurul Islam Nahid is a minister whose integrity is beyond doubt. One can bet his life on it. One source said: "Nahid does not understand the pulse of AL politics as he came from a different party."

Here lies the problem of lawmakers

getting involved in such affairs. In making a MPO list the "pulse of AL has to be understood." This happened before, too, when another coalition government was in power. Then where is the "change?" The MPO list is not prepared on the basis of any political party's "pulse." Rules should be followed strictly and that is what the education ministry did. Rules generally take care of the quality of education in those schools. Quality is important, and not the "pulse" of any ruling party.

The MPO list prepared by a ministry cannot be suspended 72 hours after its announcement. This questions the very status of a ministry; it could be any ministry headed by a full minister. However, if there are new demands which meet the set rules then such demands can be taken care of by adding some more schools to the already announced list. Here, of course, new funds are to be released from other areas of the ministry, which could be done only by the education minister himself.

The prime minister was right in asking education minister to review (review could also mean adding some new good ones if funds could be made available) the list keeping in view the requests of some lawmakers. But her order/decision was reportedly met with strong opposition from some ministers and lawmakers. This was unfortunate. She then asked the education advisor to "prepare a fresh list after reviewing the announced one (DS May 11)."

The better course would have been to

again ask the education minister to do it as he is the one with conferred authority to do the work of the ministry. He could, however, review in consultation with the education advisor as the advisor can only advise. Here again the authority of the education minister stands somewhat dented, which the prime minister, with her strong decision making mind, could have avoided.

However, the education minister agreed to go by the decision of the premier.

Any addition of schools should be publicly announced, with the details of the quality of the schools and whether they meet the rules of the ministry of education. It is time for the government to be firm in its approach to the issues of public interest, and education is certainly of special interest to the people of this country.

Muslehuddin Ahmed is Founder Vice Chancellor of North South University and President of Educational Quality Assurance Foundation (EQAF).



NOOR ALAM/DRINK NEWS