Poultry litter can ease energy crisis

SAJJADUR RAHMAN

THE government could have saved foreign currency if it had gone for generating electricity from poultry waste instead of costly diesel and furnace oil based rental plants. It would also avoid a free-fall of the local currency that is fuelling inflation.

The idea was shared by the governor of the central bank at a programme in Cox's Bazar a few weeks ago.

"Poultry waste can generate 2,000 megawatts of power annually at a much lower cost than what the country is incurring now," said Dr Atiur Rahman, governor of Bangladesh Bank.

Bangladesh had to import oil worth over $6 billion this fiscal year, mainly to feed the rental power plants. Moreover, a good amount of money is being spent on fertiliser imports. The consequence is that demand for the dollar is now record high and the local currency was devalued over 15 percent against the dollar in 2011.

"I spent sleepless nights under this pressure (on the dollar)," said the governor.

The International Finance Corporation (IFC), a member of the World Bank Group, and local lender Eastern Bank Ltd (EBL) jointly organised the event.

EBL launched 'Nobodoy', a customised loan product, to help farmers install fixed dome biogas plants to convert animal waste into electricity.

Bangladesh has 120,000-130,000 poultry farms of all sizes -- small, medium and large -- with a total investment of around $2 billion (Tk 16,000 crore). According to IFC, around 200 crore chickens in Bangladesh produce some 22 lakh tonnes of manure a year.

"It may not be possible to bring all these farms into the plan (electricity generation). But big firms can step in to do it," said Rahman, who is known as the pro-farm and -renewable energy central bank governor of Bangladesh.

The move can benefit the farm owners immensely. Their expenses for managing waste will go down and it will meet demand for fuel for electricity. In addition, gas and electricity generated from these biogas plants could be sold to others, he said.

There are increasing pressures on poultry producers to embrace alternative management practices for surplus litter (waste) due to environmental concerns.

Bangladesh Bank Governor Atiur Rahman, Eastern Bank Managing Director Ali Reza Iftekhar and officials of International Finance Corporation visit a biogas plant in Ramu, Cox's Bazar, on January 7. EBL bankrolled the plant.

Mujibur Rahman, who runs a farm in Ramu in Cox's Bazar, was interested in installing a biogas plant to reduce diesel costs and to keep the environment clean.

"Frequent power outages are normal here, especially in summer. So, alternative energy, instead of diesel generators, is essential," said Mujibur.

Soaring fuel prices almost drove him to close down the farm a few years ago. The fact is that Mujibur did not know that biogas could be used to produce electricity.

"Now, electricity generated at my plant saves me 14,400 litres of diesel a year," he said. He is now thinking about selling the gas to adjacent households.

Noyura Begum, 41, who started running a poultry farm with 1,600 chickens in 2004, now has 8,000 chickens. In 2007-08, she nearly had to shut down the farm for a surge in feed prices and low egg prices.

"Moreover, frequent load shedding was causing the chicks to die," said Noyura.

She was evaluating the options she had to carry on with her business when EBL came forward with a fund of Tk 6.5 lakh to help her set up a biogas plant.

"I have to spend Tk 5,000-7,000 per month for electricity bills and another Tk 1,000 for gas. I have taken up the bank loan to set up a biogas plant to save on this expense," she said.

Generating gas and electricity alone cannot make the business sustainable and commercially viable, according to Redwanoor Rahman (Bulbul), managing director of Rahman Renewable Energy in Savar.

"Selling slurry (fertiliser generated from animal waste) and cooking gas is a big challenge," said Bulbul, a young entrepreneur who claims to have installed 65 biogas plants across the country so far. One such plant is in Sitakundu that is generating 10 kilowatts of electricity, meeting the demand of 55 families.

The central bank governor urged the banks to make use of the BB refinancing facility. He mentioned that BB has allocated Tk 200 crore to refinance banks that will extend loans to the renewable energy sector. BB gives the loan to banks at an interest rate of 5 percent, while banks are allowed to charge customers 10 percent.

"We've refinanced only Tk 25 crore out of the Tk 200 crore funds. Banks look not that interested to enjoy this low-cost finance," said the governor.

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Eastern Bank embarks on carbon trading

SAJJADUR RAHMAN

AFTER reducing the use of electricity and paper at its office, Eastern Bank Ltd (EBL) is now gearing up for carbon trading to show its commitment to environment-friendly funding.

"Perhaps, we'll be the first bank to claim refinance from the central bank for carbon credits," said Ali Reza Iftekhar, managing director of the bank.

Iftekhar said his bank has reduced electricity consumption by 33 percent and paper use by 40 percent in 2011. Four branches and six automated teller machines of the bank are run on solar power.

EBL also has the credit to fund $3 million (more than Tk 24 crore) to Rahimafrooz to install an 18-megawatt solar power panel a few years back.

Now the bank has come up with 'Nobodoy', a customised loan product to green financing. Some 36 agri-based areas defined by the Bangladesh Bank can get the financing at a 10 percent interest rate.

Minimum loan will be Tk 2 lakh and maximum at Tk 70 lakh under the Nobodoy product and no collateral will be needed for up to Tk 10 lakh loan, according to Khurshed Alam, head of SME Banking of the bank. The moratorium period is three months.

Iftekhar is upbeat about the new green product and vows to spread it across the country. The bank has already disbursed nearly Tk 60 lakh to eight biogas plants in Cox's Bazar.

"It's a journey, not destination," he said. "We've started in a smaller way, but there may be a revolution in the years to come," he said.

The EBL boss now dreams of carbon trading, which is a growing business, especially in the developed countries. The global carbon market now tops $100 billion. Carbon trading could top $1 trillion a year by 2020, according to research firm New Carbon Finance. By then, carbon would rival oil as one of the largest commodity markets.

Davos needs to address uncertainty

LAWRENCE SUMMERS

THE year has begun well in markets. Stock markets in 2012 are generally up, and European sovereigns have experienced less difficulty borrowing than many expected. And economic data, particularly in the United States, has come in ahead of expectations. So as President Obama prepares to give his State of the Union address, and as a large group of policymakers and corporate chiefs come together in Davos this week, there is if not a sense of relief at least some diminution in the sense of high alarm that has gripped the global community for much of the last few years. Yet anxiety about the future remains a major driver of economic performance.

The news coming from financial markets is in important ways paradoxical. On the one hand, interest rates remain very low throughout the industrial world. While this is partially a result of very low expected inflation, the inflation-indexed bond market suggests that remarkably low levels of real interest rates will prevail for a long time. In the United States, for example, the yield on 10-year indexed bonds has fluctuated around -15 basis points. That is to say: On an inflation-adjusted basis, investors are paying the government to store their money for 10 years! In Britain, inflation-linked yields are negative going out 30 years.

One might expect that with low real interest rates, assets would sell at unusually high multiples to projected earnings. If anything, the opposite is the case, with the S&P 500 selling at only about 13 times earnings. Stocks also appear cheap on earnings in historical perspective through much of the industrial world. And similar patterns are observed with respect to most forms of real estate.

The combination of low real interest rates and low ratios of asset values to cash flows suggests as a matter of logic an abnormally high degree of fear about the future. This could reflect expectations that earnings or other cash flows will rise more slowly than anticipated, or simply result from a higher discount associated with future earnings because of abnormally high uncertainty.

This idea that future uncertainties are driving financial markets is supported by the observation that in the recent period there has been a much stronger tendency than normal for higher interest rates to be associated with a stronger stock market and vice versa. This is exactly what one would expect in an economic environment like the present one on days when people become more optimistic, both interest rates and stock prices rise as the expectation is of more profits and demand for funds.

This is in contrast to the usual situation, in which interest rates and stock prices often move in opposite directions because of reassessments about future fiscal and monetary policies, with expectations of higher rates driving down stock prices. For example, if an important driver of markets was confidence that foreigners would hold U.S. debt, one would expect to frequently see days when interest rates went up and the market went down as concerns rose, and vice versa when concerns declined.

Uncertainty about future growth prospects as a major driver of markets also correlates with other observations, such as the abnormally high level of cash sitting on corporate balance sheets, the reluctance of businesses to hire, and the sense that consumers are hesitant about discretionary big ticket purchases even as borrowing costs and capital goods prices are at near record lows.

AFP

Police stand at the TV entrance of the congress centre at the Swiss resort of Davos yesterday. Some 1,600 economic and political leaders, including 40 heads of states and governments, will be asked to urgently find ways to reform a capitalist system that has been described as "outdated and crumbling as they converge at eastern Switzerland's chic ski station of Davos for the 42nd edition of the five-day World Economic Forum which opens today.

All of this suggests that for the industrial world as a whole, the most important priority for governments must be giving confidence that recovery will continue and accelerate in the United States and that the downturn in Europe will be limited. How best to do this remains an area of active debate. At Davos and beyond there will be many who argue that top priority must be given to increasing business confidence and that government stimulus is useless at best and potentially counterproductive. There will be others -- more economists than businesspeople -- who will argue that top priority must be given to government stimulus and that issues about business confidence are red herrings.

Keynes saw through this sterile debate 75 years ago, writing to Roosevelt that either "the business world must be induced, either by increased confidence in the prospects or by a lower rate of interest, to create additional current incomes in the hands of their employees" or "public authority must be called in aid to create additional current incomes through the expenditure of borrowed or printed money." The right current approach involves borrowing from both contending lines of thought.

Government has no higher responsibility than insuring that economies have an adequate level of demand. Without growing demand, there is no prospect of sustained growth, let alone significant reduction in joblessness. And without growth and reduced unemployment, there is no chance of engineering reductions in government debt-to-income ratios. Of course risks of inflation, of promoting excessive risk-taking in the future, and of spending that is not ideally efficient need to be balanced. But the simple fact is that markets in the large concur with the judgment of individual business managers that increasing demand is the sine qua non of a return to economic health.

At the same time, businesses are understandably uncertain about their prospects after the events of recent years. This is not the right time to add unnecessarily to their worries. Except where the rationale is both urgent and compelling, new regulations that burden investment should be avoided. Inequality is a growing problem that will have to be addressed in the United States and beyond -- it cannot be ignored. But there is the risk that policies introduced in the name of fairness that excessively burden job-creating investment could actually exacerbate the challenges facing the middle class. At a moment of substantial doubt about the functionality of government, government could do much to increase confidence in its functioning by devising a clear plan to better align spending and taxing once recovery is established.

By working both to directly increase demand and augment business confidence, governments have the best chance of creating economic recovery. At Davos and beyond that should be the near-term focus of economic debates.

Lawrence H Summers is the Charles W Eliot University Professor at Harvard and former US Treasury Secretary.