

Burden of development

ANU MUHAMMAD

ON February 17, 2014, Bangladesh signed two production sharing contracts (PSC) with Indian public sector oil and gas company ONGC Videsh to explore oil and gas in the Bay of Bengal. Bangladesh Oil, Gas and Mineral Corporation, known as Petrobangla, awarded shallow water



PHOTO: ANURUP KANTI DAS

All relevant facts show that, by leasing out most of the resource-rich gas onshore blocks to MNCs, Bangladesh has become a hostage. Cost of production of gas and electricity, the fiscal burden, has increased at a linear rate.

blocks SS-04 and SS-09 in the Bay of Bengal to this company. Under the revised PSC-2012, ONGC Videsh will spend \$103.2 million during the initial exploration of the two blocks in 8 years. These two blocks cover nearly 14,000 square kilometers in the Bangladesh Sea.

Earlier, on June 16, 2011, Petrobangla signed production sharing contract with the US company ConocoPhillips for two deepwater gas blocks -- DS-10 and DS-11 -- in the Bay of Bengal under PSC-2008. This contract gave ConocoPhillips the right to explore for oil and gas in these two blocks with investment of \$111 million in 5 years. The two blocks cover an area of 5,158 square kilometers and have a water depth of 1,000-1,500 meters.

ConocoPhillips had later expressed its willingness to expand its gas exploration activities in Bangladesh and 'requested' the government to give it preference in the following round of international bidding for offshore gas blocks. "ConocoPhillips officials have conveyed their claim of preference in the next round of gas block bidding ... they want to expand their operation in the country," the finance minister told journalists after a meeting with the major US oil officials (Financial Express, July 24, 2012).

That wish was fulfilled. They along with ONGC, Santos, got the preference in the bidding under PSC 2012, after ONGC the rest are waiting for signing other contracts soon. It seems that the government is in a hurry to sign the PSCs with foreign companies for offshore blocks.

Many of us -- academics, experts, activists -- had expressed our concern about the earlier PSC deal of June 16, 2011 with ConocoPhillips. Our main points of concern were as follows:

(1) While Bangladesh has limited gas resources, 80% export right for ConocoPhillips was allowed (15.5.1 subject to Articles 15.5.4, 15.5.5 and 15.6.). That will threaten long-term energy security of the country;

(2) Bangladesh's share was given as 'not more than 20 %' (15.5.4). Moreover, the host country was given the burden of building the pipeline to bring its share onshore, which is costlier than exploration. Therefore, it would not be economically feasible for Bangladesh to bring that small portion of gas onshore for utilisation;

(3) Production limit was relaxed to more than 7.5% (standard limit), i.e., the company would be allowed to exhaust gas reserves in a very short time, while Bangladesh needs its gas resources for longer period;

(4) Joint review committee and management committee were formed to help the company manoeuvre the decision making process in its favour;

(5) ConocoPhillips has a bad record of blow-outs in other sea blocks; nevertheless compensation conditions were not concrete.

There had been strong public protest against the deal around the country, including two general strikes in 2009 and 2011, before and after signing of the above contract.

In PSC-2012, export provision was dropped, most likely to prevent further public outrage. But some cunning revision was made to ensure better deal for the companies, but worse for the country. In fact, this was revised in order to fulfill demands forwarded by the foreign oil companies. The revised document (PSC 2012) raised the price of gas by almost 70% to \$6.50 per Mmcf (1,000 cubic feet); moreover regular yearly increase will add to that. Secondly, in cost recovery phase the company's share was raised to 70% from 55% of the produced oil and gas. Thirdly, Petrobangla took the burden to pay 37.5% in corporate tax on behalf of MNCs. Fourthly, The MNCs would also be allowed to sell their share of gas to a third party.

In sum, the latest deal makes gas and oil much costlier for Bangladesh than before. After adding all costs and taxes, it may become costlier than even imported gas. It is true that export option is not there, but export prohibition is not there either.

Therefore, if gas is discovered in more than one block, and if it goes beyond 7 tcf, it will be surplus for the country at the specific time. There will be no choice but to export natural gas/resources. That would certainly bring quick profit for the companies but would make Bangladesh more vulnerable regarding energy security. Is this the reason why the government has kept the much demanded 'prohibition of export of mineral resources bill' in cold storage of the parliament? Is it the reason why the government silently endorsed the export option of gas resources in the national export policy? Who actually takes these decisions? There is no transparent process. We know that studies on global business show that the global oil companies spend more on lobbyists and 'economic hit men' than research and development!

Two arguments have always been made for bringing MNCs into the energy sector in countries like Bangladesh. These are: (a) lack of necessary capital in these countries, FDI would fulfill this scarcity; and (b) lack of technical ability, MNCs would provide efficient and latest technology.

Does anybody believe that, in the present economic situation, Bangladesh is not able to invest \$100 million in 8 years (Tk.100 crore), or even 10 times more in a year? We should take note that gas development fund has nearly Tk.1,800 crore sitting idle. Much more is reported as wastage or loss because of corruption every year. Does anybody accept that the government has taken any step to expand national capability? While ONGC could start offshore drilling 13 years after its establishment, what prevented Petrobangla from increasing its confidence and capability to ensure best utilisation of natural resources as well as human capability? Why, after 42 years, are we forced to hear that "we don't have the capability?" What is happening to the public money being spent for specialised institutions, including engineering universities, for foreign training? What is happening with the research and development?

What has been our experience so far with the old PSC deals? Facts and figures do not match with the propaganda. Some facts are as follows:

1. Privatisation and bringing in MNCs in energy sector has increased public expenditure instead of 'reducing drainage of public resources' as claimed by the World Bank and company men. For example, at least one 500 MW power plant could be built every year with the money spent as subsidy for purchasing gas from the MNCs. It is increasing as their share is growing.

2. When Bapex-Petrobangla spends Tk. 1 billion to drill a well, MNCs

usually do it at 2 to 6 times the cost. This contradicts the argument usually given that the MNCs are more efficient and would reduce the cost of production.

3. We now purchase gas from national companies at Tk. 25 per thousand cft (MMCF); on the other hand we are purchasing the same at a price (in foreign currency) 8 to 10 times more from the MNCs in onshore blocks. Now price is rising further. Recent deals in offshore have made this 20 times more.

4. Governments have been periodically increasing gas and electricity prices to reduce subsidy caused by increasing MNC share. Rise in the cost of production and cost of living is an obvious outcome.

5. Bangladesh lost 500 bcf gas due to blow-outs in Magurchhara (1997) and Tengratila (2005). This amount of gas is equal to the amount used for power generation for more than 2 years for whole of Bangladesh. These two blowouts hit hard the 'efficiency of MNC' myth.

6. But compensation due from US company Chevron and Canadian company NIKO for these disasters is still unrealised. The import price of the gas lost in Magurchhara and Tengratila amounts to more than \$5 billion, which is nearly 8 times the average yearly budget allocation for the energy sector. No government since 1997 has taken any step to realise the compensation. It is also worth mentioning that the World Bank, ADB or other IFIs who used to be very vocal about everything, have remained silent for long about this compensation issue.

In the last 5 years, only one company, US Chevron, received Tk. 150 billion in US currency by selling gas to Bangladesh, which could be purchased with Tk. 20 billion from public sector companies in local currency. Drainage of foreign currency equivalent to Tk. 130 billion (\$1.65 billion) in a few years is, therefore, a direct outcome of FDI in gas sector by one MNC alone. This amount is more than the budget allocation in energy sector for the last three years.

Therefore, all relevant facts show that, by leasing out most of the resource-rich gas onshore blocks to MNCs, Bangladesh has become a hostage. Cost of production of gas and electricity, the fiscal burden, has increased at a linear rate. Instead of saving public money, drainage and corruption increased manifold. In the guise of development the increasing burden piled up on the country and the people! Deals on offshore blocks will surely multiply the burden.

The writer is member secretary of the National Committee to Protect Oil, Gas, Mineral Resources, Power and Ports.

Nuclear power plant: Security, dirty bombs and civil rights

QUAMRUL HAIDER

ONE consequence of nuclear power that dominates all others is the safety and security of a nuclear reactor facility. The use of nuclear power inevitably brings an unquantifiable but real danger of nuclear blackmail and sabotage from terrorists, extremists, criminals and lunatics. The safe and secure transportation of nuclear materials is also of great concern.

Decisions on policy regarding the development of nuclear energy involve judgments concerning the hazards of plutonium and other actinides produced as radioactive wastes in a reactor. According to the World Nuclear Association, total world generation of plutonium in spent fuel rods is about 70 thousand kilograms per year. It takes approximately 10 kilograms of nearly pure plutonium-239 to make a bomb.

The production of staggering amount of plutonium gives rise to the risk of its diversion to make nuclear weapons by rogue nations and terrorists. The grim reality is that any country that has nuclear power plants will have access to the materials and technology needed for developing nuclear bombs. In 1974, India exploded a "peaceful nuclear device," and with it also exploded the belief that there is a practical distinction between peaceful and military uses of nuclear energy.

In the often heated controversy over the future of nuclear power, it is the risk of proliferation of nuclear weapons that appears to be the one most intractable to technical resolution and, as well, most insistently fundamental to the way people feel about nuclear power. If worldwide plutonium industry develops, then theft of plutonium, or even growth of an international black market in plutonium, seems quite likely. A market of few hundred kilograms worth millions of dollars per year is large enough to interest criminal groups and to have a major impact on nuclear terrorism.

The information and non-nuclear materials needed to make a "dirty" fission bomb is now widely distributed and available to the general public on the internet. Dozens of nations have or could acquire skills and facilities required to design and build dirty bombs using plutonium diverted from their civilian nuclear power programmes. Although crude, inefficient and unpredictable, such devices would nonetheless be highly destructive. Furthermore, fission explosives small enough to be transported by automobile could be built by small groups of people, even conceivably by individuals working alone, if they somehow manage to acquire the needed 10 kilograms of plutonium.

The concerns about plutonium arise not only for its explosive properties but also for its extreme radiotoxicity. Dispersed into the atmosphere by nuclear explosive devices, a small quantity of plutonium could cause an indeterminate number of deaths from lung cancer or fibrosis of the lung. The psychological impact of such a situation would be profound, normal activity in the affected area would be disrupted and decontamination could be very expensive.

Thus if nuclear power plants are to be well-enough protected to be totally immune to the above risks, the unavoidable consequence is a society dominated by prohibitions, surveillance and constraints, all justified by the magnitude of the danger. Consequently, it is inevitable that preference should be given to pliant and obedient character type workers. The use of nuclear energy, therefore, epitomises the centralisation of the government's power, thereby resulting in infringement on the civil rights of the citizens.

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Jamaat staging a comeback through upazila polls

FARID HOSSAIN

THE impressive performance of Jamaat-e-Islami Bangladesh (JI) in the first phase of the upazila elections should serve as a strong message to the country's secular forces. Candidates backed by the Islamist party have won 13 posts of chairmen, becoming the third largest winners after BNP and AL.

Though it is too early to make a proper assessment on whether the Islamist party will be able to keep it up in the next four phases of the local government polls, the secular forces can't afford to take the first-phase showing lightly.

The upazila gains of Jamaat should be seen in the context of the government's recent crackdown on the party following a wave of terrorist attacks by its militant activists in the wake of the trial of its top leaders on charges of crimes against humanity committed during the 1971 Liberation War. It has also been condemned for felling of

trees to make roadblocks during a series of general strikes and nationwide non-stop blockades to resist the 10th parliamentary election on January 5.

Jamaat has been barred from contesting in the general election after the Election Commission canceled its registration on grounds that the Islamist party's main principles go against the country's constitution. But this does not bar the party from taking part in the upazila elections since these are, under the rules, non-partisan contests. So, the upazila polls have provided Jamaat an opportunity to show its strength and whatever support it still enjoys among a section of the population in spite of nationwide outcry against it and the growing demand that the party be banned for its terrorist activities.

BNP, the main opposition party outside the parliament, should be happy over Jamaat's performance in upazila ballots. BNP chairperson Khaleda Zia, who has refused to quit its close links with Jamaat, should feel she has been right in her decision.

The Jamaat phenomenon should be a real headache for the ruling AL and its largely secular allies. It has to be seen how AL and its leader Prime Minister Sheikh Hasina view this development. It will be too naïve to dismiss the Jamaat win as just an isolated incident having no impact on national politics or the on-going war crimes trial. Well, the outcome of the upazila polls may not be a big factor in changing the course of national politics, but it should be viewed with the seriousness it deserves.

Let's now analyse the factors that have contributed to Jamaat's strong showing. In local government elections rural voters take into consideration the character of a candidate more than the national issues. A good individual whose political career is not tainted with allegations of corruption or misdeeds is preferred by the voters.

Jamaat is also a party of dedicated and loyal members who stay in constant touch with the rural people. They have highly motivated squads of workers -- both men and women -- who make

regular visits to the rural people, establishing good rapport with them. Jamaat members don't behave like guest birds that come and go without leaving any impression on the villagers. In this regard, Jamaat is a different breed from AL and BNP, which have many of their leaders tainted with allegations of corruption and infighting over leadership in the party. In the ongoing upazila polls both AL and BNP are struggling with rebel candidates, but Jamaat is free from this problem.

Jamaat is fighting for its political survival. Issues like war crimes trial have pushed the party's back against the wall. But the early showing in the upzila polls is a sign that Jamaat's plight is mostly an urban phenomenon. The rightist party, which had opposed the country's liberation and whose top leaders are accused of mass killings, rape and atrocities during the Liberation War, has proved to be a stubborn organisation.

The writer is former Bureau Chief, AP.

QUOTABLE Quote

"You are capable of more than you know. Choose a goal that seems right for you and strive to be the best, however hard the path. Aim high. Behave honorably. Prepare to be alone at times, and to endure failure. Persist! The world needs all you can give."

- E. O. Wilson

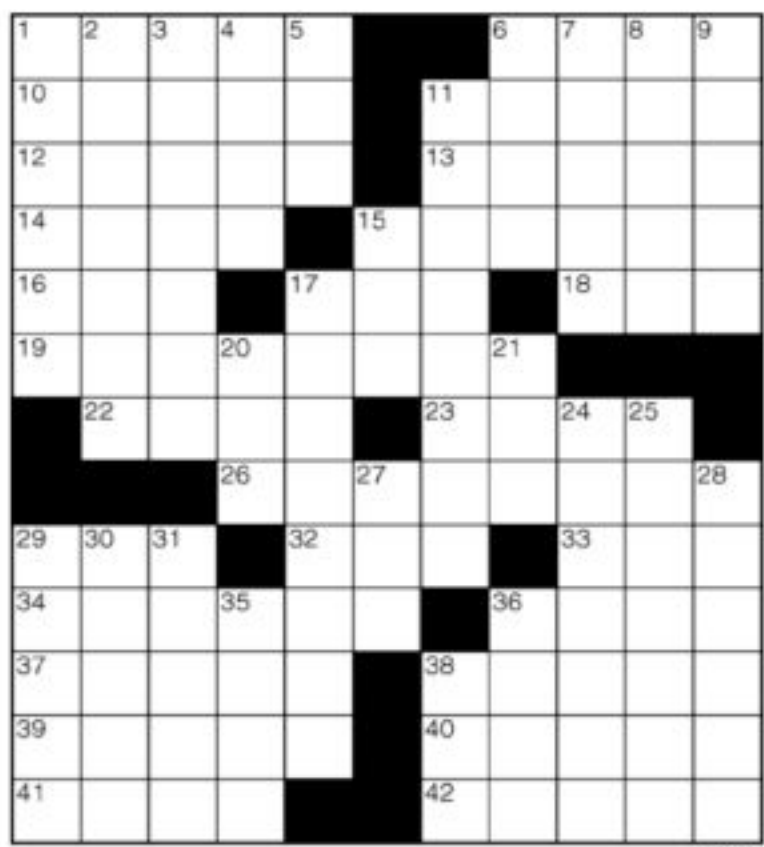
CROSSWORD by Thomas Joseph

ACROSS

- 1 Make blank
- 6 Swindle
- 10 Billing info
- 11 Musical drama
- 12 Annoys
- 13 Try to get, at an auction
- 14 Responsibility
- 15 Change the title of
- 16 Harry's friend
- 17 Kilmer of "The Doors"
- 18 Informant
- 19 Defrauded
- 22 Svelte
- 23 Walrus's cousin
- 26 Ready for slumber
- 29 Brewery sight
- 32 Distress call
- 33 Buck's mate
- 34 Source
- 36 Nice guy
- 37 Mongoose foe
- 38 Accounting check
- 39 Korean or Thai
- 40 Award
- 41 Heavy metal
- 42 Fixed the piano

DOWN

- 1 Blunders
- 2 Ballpark disappointment
- 3 Away from one's desk, in a way
- 4 Spots
- 5 Twisty turn
- 6 Take turns
- 7 Fragrant wood
- 8 Franchise
- 9 "The Balcony" painter
- 11 Stone pillars
- 15 "Far out, dude!"
- 17 From the second planet
- 20 Young fox
- 21 Maiden name label
- 24 Included
- 25 Treat as a celebrity
- 27 Swindle
- 28 Took in
- 29 Outspoken
- 30 Happened
- 31 Leg bone
- 35 June celebrant
- 36 Wise teacher
- 38 Fitting



CRYPTOQUOTE

YQD NCXY PFXYDB BFZ CS FMM GXYQFY CT PQGKQ PD QFUD TCY MFRHQDB.

-- XDFIXYGD T OCKQ TKGCMFX KQFNSCOY

Previous day's Cryptoquote:

Journalism consists largely in saying "lord jones died" to people who never knew lord jones was alive.

-- GK Chesterton

Previous day's answer



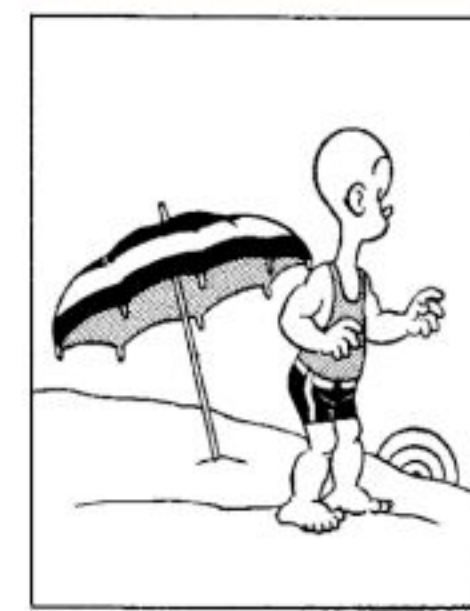
A XYDLBAAXR IS LONGFELLOW

One letter stands for another. In this sample, A is used for the three L's, X for the two O's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are different.

BEETLE BAILEY



HENRY



by Mort Walker



by Don Trachte