Top Asian LNG markets boost coal use

REUTERS, *Singapore*

Major Asian liquefied natural gas (LNG) importers Japan and South Korea ramped up coal-fired power generation in April and into early May, market data showed, as the Iran war disrupted supplies of the super-chilled fuel and boosted prices.

Japan's gas-fired power supply hit two-year lows in April and South Korea's dropped to six-month lows, according to data from the Japanese Electricity Market Data Hub and Korea Power Exchange (KPX).

The switch underscores how the conflict is reshaping power generation patterns after Iranian retaliation to US-Israeli attacks knocked out 17 percent of LNG export capacity in No. 2 global supplier Qatar.

"The longer this war continues, the more switching we will see," Andre Lambine, a power analyst at S&P Global Energy, told a recent industry event.

In April, coal-fired power supply in Japan surged 11.1 percent, the fastest pace in at least a year, as gas-fired power plunged 12.9 percent to 16,447 gigawatt-hours (GWh), statistics from the Japanese Electricity Market Data Hub showed.

The conflict is reshaping power generation after attacks disrupted 17% of LNG export capacity in Qatar, the world's second-largest supplier

Japan and South Korea typically use LNG to offset nuclear maintenance shutdowns before demand starts rising in June.

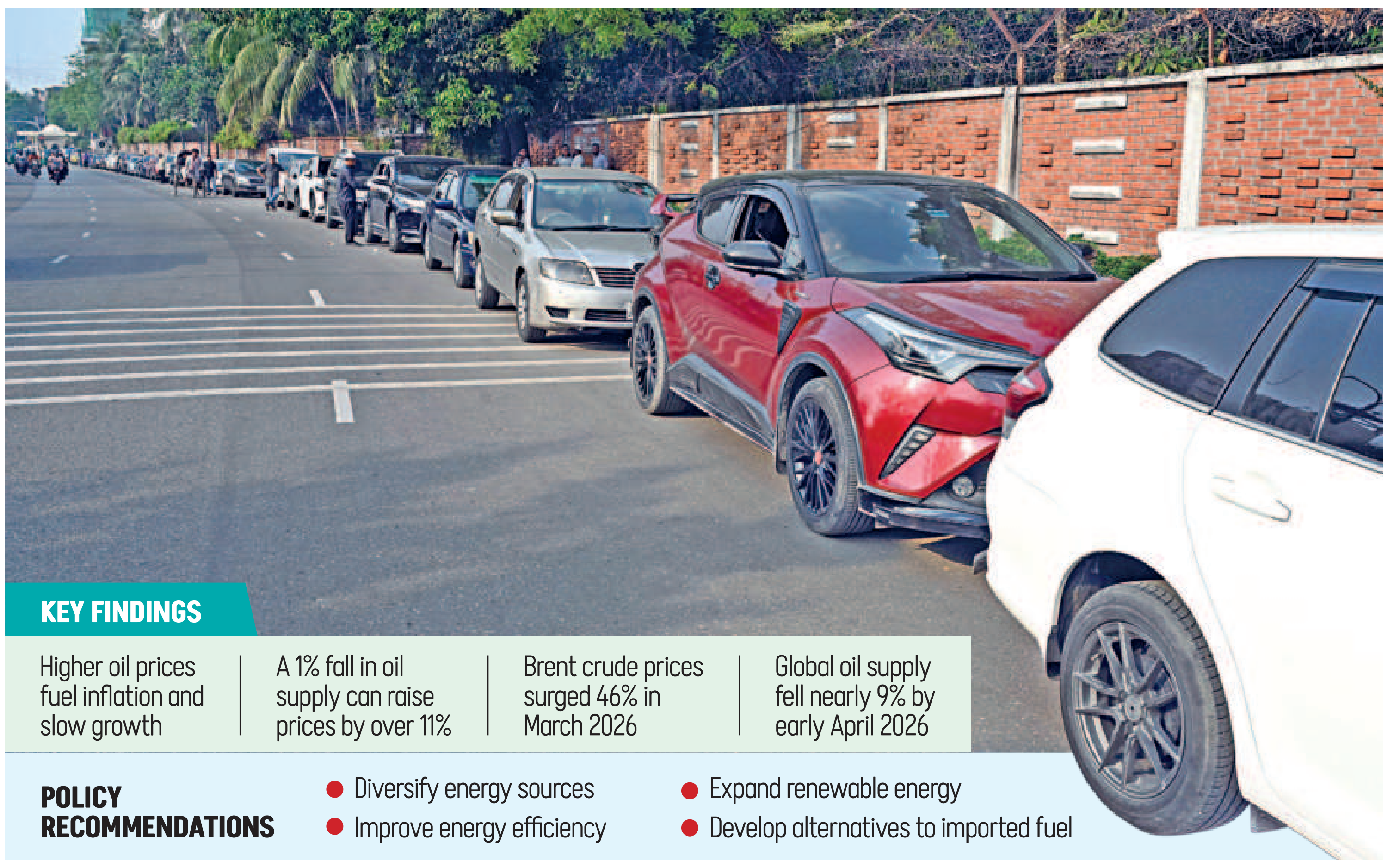
"Japan's rising coal power output displaced roughly 4 LNG cargoes in April - already about half the annual imports the government expected to avoid by using more coal," said Fei Xu, senior gas analyst at ICIS.

"This has helped maintain end-April LNG inventories near 5-year averages."

South Korea's coal-fired power supply rose 39.7 percent annually to 10,733 GWh in April - the sharpest rise since August 2019, while gas-fired power fell 6.4 percent, data from KPX showed.

Nuclear supply fell 2.7 percent annually in Japan and 14.6 percent in South Korea in April and continued declining in the first 10 days of May, the data showed.

Geopolitical oil shocks may weigh on importing economies: WB report



STAR BUSINESS REPORT

Geopolitically driven oil supply disruptions could create severe headwinds for oil-importing economies through higher inflation, tighter financial conditions, and pressure on trade balances, according to a recent World Bank (WB) report.

The report comes at a time when the oil market has been volatile due to supply disruptions from Gulf nations, key oil-producing countries, amid the Middle East conflict.

Oil prices rose by more than 3 percent yesterday as stark differences between the US and Iran on a proposal to end the war in the Middle East pushed supply concerns back into the spotlight, Reuters reported.

Brent crude futures gained $3.47, or 3.3 percent, to $107.68 a barrel at 1045 GMT, according to Reuters.

The Asian Development Bank (ADB) last week said the pre-war average oil price was $69 per barrel during the January-February period of this year.

The WB report on the effects of geopolitical oil supply shocks, published on April 28, said heightened geopolitical tensions can lead to actual, previously unexpected physical disruptions in oil supply.

The report cited Iraq's invasion of Kuwait in August 1990 as an example, which caused about a 6 percent decline in oil output and led to a roughly 33 percent surge in oil prices within a month.

The conflict in the Gulf region of the Middle East, which started in March 2026, is another such instance, and may amount to the largest supply shock on record, with estimates by the International Energy Agency (IEA) suggesting a reduction of close to 9 percent in global oil supply by early April 2026, it said.

Correspondingly, the average Brent oil price climbed 46 percent in March 2026 compared with February, it said, adding that anticipation of possible supply disruptions may also trigger price hikes.

Bangladesh meets almost all its petroleum requirements through imports. The spike in oil prices has increased energy-related expenditures by an estimated $3 billion, Finance Minister Amir Khosru Mahmud Chowdhury said at the annual meeting of the ADB last week.

The World Bank report estimates that during times of surging geopolitical risk, a 1 percent reduction in oil production generates a peak oil price increase of more than 11 percent on average, nearly twice the increase reported in previous studies for oil supply shocks in general.

"Oil supply shocks arising out of conflict have significant and persistent spillover effects on other commodity markets—particularly natural gas and fertilisers."

Bangladesh meets almost all its petroleum requirements through imports. The spike in oil prices has increased its energy expenditures by an estimated $3 billion, finance minister said recently

The report said a 10 percent oil price increase due to a geopolitical oil supply shock has been associated, on average, with increases in natural gas prices that peak at about 7 percent after 11 months and increases in fertiliser prices that peak at a little over 5 percent after 12 months.

Bangladesh is also reliant on the imports of fertiliser and gas to meet its demand, and prices of fertiliser have already risen following the US-Israel war on Iran.

"Overall, geopolitically driven oil supply disruptions tend to be especially destabilising for commodity markets, with likely knock-on consequences for inflation, growth, and poverty," it said.

The report said oil price movements spread to other commodity markets through several channels.

"Oil and gas are frequently jointly produced because their reserves are co-located, so supply disruptions in one market naturally spill over to the other."

The report also said energy prices exert broad cost-push pressures across the commodity complex.

"As a key input into transportation, processing, and the production of intermediate goods such as fertilisers and petrochemicals, higher energy costs raise marginal production costs in agriculture, metals, and other sectors, transmitting oil shocks broadly."

The World Bank said geopolitical shocks to oil prices tend to be comparatively severe, and their macroeconomic consequences for growth, inflation, and poverty are likely to be especially adverse.

"Challenging macroeconomic repercussions are likely to be particularly pronounced among oil-importing countries, where pressure on the terms of trade and sharp increases in import prices could lead to financial or fiscal destabilisation."

The report suggested that energy-importing economies should proactively pursue policies to reduce exposure to commodity market disruptions by diversifying energy sources and suppliers, promoting energy efficiency, and developing domestic alternatives to energy imports.

The declining costs of renewable energy technologies and storage solutions reinforce the case for expanding renewable electricity generation, helping reduce geopolitical vulnerability as well as carbon emissions.

"When energy shocks occur, well-designed fuel pricing frameworks and targeted support for vulnerable households can help limit the pass-through of oil price spikes to domestic inflation and activity."

Fixing merchant power tariff maths

MD MOHIUDDIN RUBEL

By 2030, every garment leaving Bangladesh for Europe will need to prove it was made with clean energy. We are running out of time to build the infrastructure to make that possible. This is not an aspiration. It is a legal reality taking shape in Brussels, and how we respond will determine whether our export sector grows or contracts over the next decade.

The European Union Carbon Border Adjustment Mechanism, alongside the Corporate Sustainability Reporting Directive and the Ecodesign for Sustainable Products Regulation, legally obliges brands such as H&M, Inditex and Marks and Spencer to reduce Scope 2 and Scope 3 emissions across their supply chains. For Bangladeshi factories, this is no longer a preference. It is a market access requirement.

These mandatory sustainability rules have shifted the terms of trade. Brands sourcing from Bangladesh face legal requirements to disclose and cut the carbon footprint of their supply chains, including Scope 3 emissions from suppliers. For our factories, the ability to demonstrate renewable energy use is becoming a prerequisite for retaining long-term sourcing relationships, not merely a competitive advantage.

The Merchant Power Policy of Bangladesh was designed for this moment. It would allow private developers to build large-scale renewable projects and sell electricity directly to manufacturers through long-term corporate power purchase agreements. The policy is conceptually sound. The problem lies in implementation.

The tariff mathematics do not work. Distribution companies are proposing an Open Access Tariff of Tk 2.00 to Tk 3.00 per kWh to recover legacy public subsidy obligations. The legitimate wheeling charge, reflecting the actual cost of using the grid, is Tk 0.31 per kWh. The current grid tariff for industrial consumers is Tk 8.95 per kWh. Add the proposed Open Access Tariff, and the delivered cost of renewable electricity rises to Tk 9.50 to 10.50 per kWh, between 6 percent and 17 percent more expensive than simply staying on the grid.

No rational factory owner will sign a 15-20 year power purchase agreement for electricity that costs more than the grid. Without committed off-takers, developers cannot demonstrate bankability to lenders. Without financing, no infrastructure is built. The merchant power policy remains on paper, and the transition never happens.

The regional comparison sharpens the urgency. Vietnam's industrial renewable share stands at 30 percent to 35 percent, India's at 22 percent to 25 percent and Pakistan's above 53 percent. Bangladesh's industrial renewable penetration is about 4 percent, the lowest among its direct competitors in apparel exports. India reached its position partly because states such as Karnataka and Tamil Nadu offered discounted or waived wheeling charges for renewable open access, treating the fiscal gap as a budgetary matter rather than a tariff problem.

The fix is straightforward. The Open Access Tariff should be limited to the legitimate cost of using the grid, which is Tk 0.31 per kWh. Public subsidy obligations are a genuine national responsibility, but they belong in fiscal policy, administered through government budgets, not embedded in private energy contracts. Decoupling the two would transform renewable electricity from an economically irrational choice into a viable one and restore the bankability that merchant power projects require to reach financial close by 2028.

Bangladesh built its garment sector through pragmatic, evidence-based policy calibration. The merchant power policy is the right instrument. Ensuring that tariff design matches its intent is the next step. Other nations are not waiting. Vietnam, India and Pakistan have already moved, and their export industries are benefiting. Bangladesh has repeatedly shown it can adapt when the rules of global trade shift. This moment calls for the same instinct.

The author is a former director of Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

Oil crisis sparks austerity push in India

ANALYSIS

ANN/THE STRAITS TIMES

Prime Minister Narendra Modi has made austerity appeals to Indians, urging them to place "nation first above personal comfort", and avoid foreign trips, use less fuel and start working from home (WFH) more often.

PM Modi made this request during a public meeting on May 10, after inaugurating infrastructure projects in Secunderabad city in Telangana state. He urged measures to curtail the consumption of petroleum products and foreign exchange reserves, warning of growing economic uncertainty as geopolitical tensions in West Asia pushed up oil and fertiliser prices and strained global supply chains.

"In this time of global crisis, we have to make a resolution keeping duty paramount and fulfil it with complete dedication," he said. "A big resolution is to use petrol and diesel sparingly."

He asked citizens to increase their use of public transport and electric vehicles, and revisit Covid-era measures such as WFH arrangements, virtual meetings, avoid non-essential foreign travel for a year, and prioritise local goods.

He said it is the responsibility of all Indians to ensure that "the foreign exchange spent on purchasing petrol-diesel should also be saved by conserving petrol-diesel".

Analysts say his speech signals the economic fallout India is grappling with amid the West Asia conflict and rising global fuel prices.

While many countries hiked fuel prices to suppress demand since the start of the Iran war, India increased only the prices of commercial petroleum gas, and duties on export of aviation turbine fuel and naphtha to ensure domestic availability, leaving the pump prices for ordinary consumers unchanged. But this may change soon.

"The global oil market is facing the largest disruption in decades. In these extraordinary times, you need to conserve oil. A government can send signals through moral suasion, as it has now. It is likely that a price signal for demand management through a petrol and diesel price hike will come next," Mr Dharmakirti Joshi, chief economist at global analytics company Crisil, told The Straits Times.

As global crude oil prices surged from around US$70 per barrel to nearly US$126 per barrel in recent weeks, India's import bill has ballooned. The country imports around 85 percent of its crude oil needs.

"With the war extending, it doesn't look like the oil shortage will end soon. So, it is important to conserve oil. The government and oil marketing companies absorbed some of the burden on petrol and diesel till now, and consumers will need to play a role in burden sharing going ahead," Mr Joshi said.

People queue up to buy liquefied petroleum gas (LPG) cylinders at a gas agency office in Noida amid oil and gas import disruptions caused by the Middle East war.

PHOTO: AFP/FILE

Defence Minister Rajnath Singh said on May 11 that India has 60 days of crude oil and natural gas reserves and 45 days of petroleum gas.

The rising oil prices, global uncertainty and costlier imports have put the Indian rupee under heavy pressure. It has weakened to near-record low levels, trading around 94.9 rupees against the US dollar as of May 11.

The country's foreign exchange reserves stand at US$703 billion (S$891.7 billion).

PM Modi asked people to reduce the use of cooking oil, and buy Indian-made products rather than imported goods.

"The PM's appeal to the nation is a crisis management response to the current account deficit problem due to high crude price and has slightly negative implications for economic growth in fiscal year 2027," Mr V.K. Vijayakumar, chief investment strategist at Geojit Investments, told Reuters.

"Industries related to the austerity call like petroleum, chemical fertilisers, gold, air travel, hotel and related sectors are impacted," he added.

Each of the prime minister's appeals reflects major areas of expense and vulnerabilities in the Indian economy.

To further conserve foreign exchange, Mr Modi said: "The growing culture of weddings abroad, travelling abroad, and vacationing abroad is becoming prevalent among the middle class... During this time of crisis, we should postpone travelling abroad for at least a year."

Mr Sunil Kumar, the president of the Travel Agents Association of India, said in a statement that the tourism industry "may now experience increased pressure to promote domestic tourism, where margins and revenues are comparatively lower".

PM Modi also urged people to refrain from the practice of buying gold during festivals for a year, surprising many as the yellow metal is central to weddings, festivals, traditional investment and rural savings.

Gold purchases and foreign travel lead to substantial dollar outflows, adding pressure on India's current account deficit and foreign exchange reserves.

India also buys more gold than almost any other country in the world, and the metal accounts for 9 percent of the import bill, only second to crude oil. Every year, India purchases more than 700 tonnes of gold. With domestic gold production at only one to two tonnes annually, it imports more than 90 percent of its requirements.

In terms of overseas travel, Indians have recently become among the world's most active tourists – driven by rising incomes and better connectivity. In 2025, a record 32.7 million Indians travelled abroad, up from 30.8 million in 2024. The United Arab Emirates (UAE), Saudi Arabia and Thailand are the top destinations, with 43.5 percent travelling for leisure and 34 percent visiting friends and family, according to the Ministry of Tourism.