Rental power plants added to Bangladesh's fiscal liabilities: WB

STAR BUSINESS REPORT

Heavy reliance on rental and quick-rental power plants and capacity payment arrangements created significant fiscal liabilities for Bangladesh, the World Bank said yesterday.

Despite substantial gains in generation capacity, the structural foundation of the country's energy sector has steadily eroded over the past decade due to weak governance and policy failures, the global donor said.

The energy sector sits at the heart of Bangladesh's development ambitions and challenges.

Domestic gas production, long the backbone of Bangladesh's energy system, has steadily declined as mature gas fields became depleted and exploration activities failed to keep pace with rising demand, the WB said in its Bangladesh Development Update.

"The resulting supply gap was increasingly filled by imported LNG, and Bangladesh, once fully self-sufficient in natural gas in 2017, now relies on imports to meet one-third of its total gas demand."

Over the past decade, power generation capacity expanded rapidly through a growing contribution from private-sector producers, whose share of total electricity generation stood at 43 percent, the WB said.

Although installed generation capacity improved, the sector continues to face critical constraints in fuel and gas availability, as well as transmission and distribution bottlenecks that limit the effective utilisation of available capacity, the report said.

"These structural weaknesses have contributed to the current gas and power crisis. Bangladesh now relies heavily on LNG imports to offset declining domestic gas production, making the sector vulnerable not only to international price volatility and FX pressures, but also to disruptions at a small number of floating storage and regasification units (FSRUs)."

Recent technical failures and operational disruptions affecting FSRU facilities at Maheshkhali significantly reduced gas supply to the national grid, worsening an already sizable gap between demand and available supply, it said.

"The disruption exposed the systemic risk of over-reliance on a small number of domestic gas fields and critical import nodes."

The economic consequences of the crisis have been significant.

Reduced gas supply disrupted production across major industrial zones in Bangladesh, with many factories operating below capacity or temporarily suspending operations due to inadequate gas pressure. Power generation has also been affected, leading to widespread load shedding and periodic electricity shortages that have disrupted households and business activity, forcing many to rely on expensive diesel generators. This has prompted emergency government measures such as mandatory early closures for shopping malls and retail centres to curb peak electricity demand.

Gas shortages have also affected households and transport, with many consumers facing cooking difficulties and long queues at compressed natural gas filling stations, the World Bank said.

"The cumulative effect has been lower industrial output, higher production costs, and increased uncertainty for private investors."

Post-larvae shortage leads to Bagerhat hatchery crackdown

Four out of eight licensed hatcheries remain closed, leaving farmers struggling to secure quality post-larvae at the start of farming

PARTHA CHAKRABORTTY, *Bagerhat*

An acute shortage of post-larvae (PL) is disrupting Golda or freshwater prawn farming in the Khulna-Bagerhat region as several hatcheries and nurseries remain closed, prompting the Bagerhat Fisheries Department to threaten licence cancellations.

Four of the eight licensed Golda hatcheries in Bagerhat are currently closed, according to inspections by the district fisheries department.

The department has launched a drive against inactive prawn hatcheries and nurseries, serving notices on closed facilities and asking them to renew their licences and resume production. Failure to do so could result in permanent cancellation of their licences, officials said.

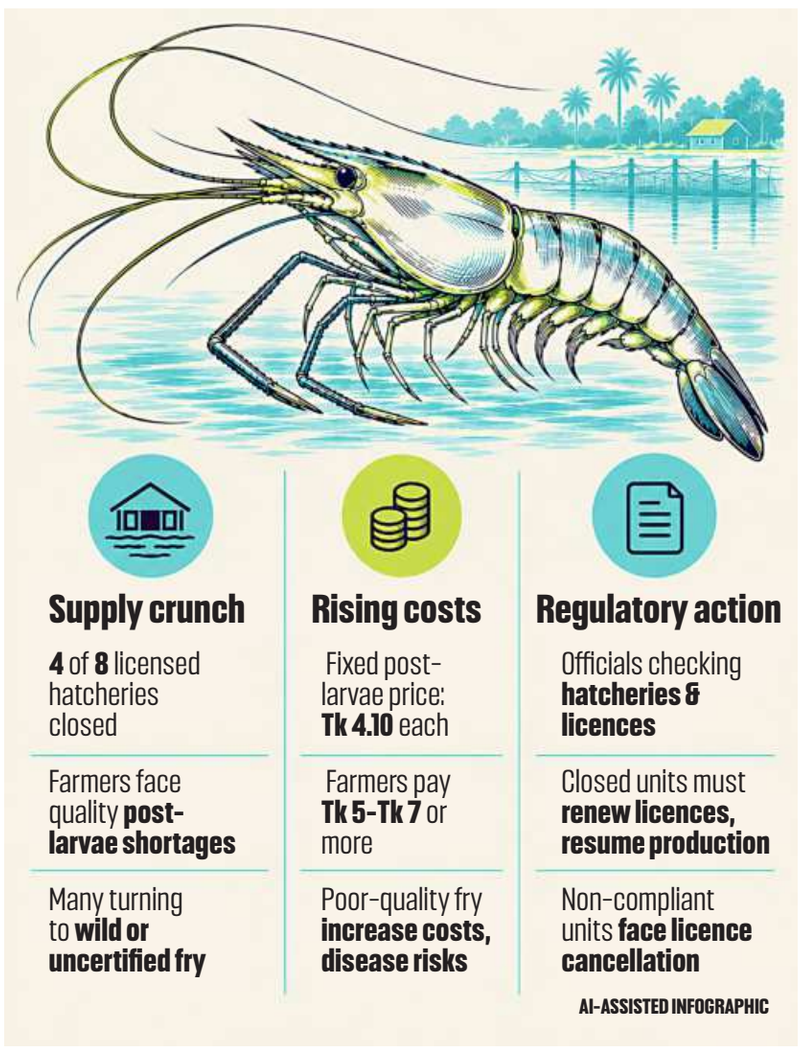
As part of the drive, department officials are inspecting licensed hatcheries and nurseries to check their operational status and licence validity. Several of the closed facilities have remained deserted for long periods, with weeds growing across their compounds.

"We have already served notices to the closed hatcheries instructing them to renew their licences and initiate activities. Failing this, their licences will be permanently revoked," said Raj Kumar Biswas, district fisheries officer of Bagerhat.

The inactive production units include BRAC Hatchery and Bagerhat Prawn Hatchery along the Bagerhat-Khulna highway, Rupa Golda Hatchery in Morrelganj and Rainbow Hatchery at Badhal union in Kachua upazila.

The department's review also found administrative and operational lapses.

Brothers Lab, which obtained its licence in 2018, has applied for cancellation, while the licences of Rupa Golda Hatchery and Bagerhat Prawn Hatchery expired in 2025 and 2023, respectively. Ratna Nursery still holds a valid licence but has stopped operating following the death of its proprietor, officials said.



Officials said Golda hatcheries in the district had previously produced around 10 crore PL annually. However, they said it was too early to quantify the current production shortfall, as the registered production capacities of the affected hatcheries are still being examined.

The closures have left freshwater prawn farmers struggling to secure certified PL at the start of the farming season, forcing some to collect wild fry from open water bodies or buy uncertified supplies from unregulated vendors.

The shortage has also pushed up the price of PL, according to farmers. The Bagerhat district fisheries office said the government-fixed rate for Golda PL is Tk 4.10 per piece. Farmers, however, said they are paying Tk 5 to Tk 7 or more for uncertified fry, which often fail to meet expected quality standards.

"Farmers are struggling to obtain adequate quantities of quality fry," said Abul Hossain Khan, 60, a grower from Sangdia village in Kachua upazila.

Gopal Das, 45, another grower from Sangdia, said a dependable supply of quality fry from local hatcheries was vital for families dependent on freshwater prawn cultivation.

Substandard fry increase production costs and raise the risk of disease outbreaks and poor survival rates, farmers also said.

The closures have also affected the wider local value chain, with skilled hatchery technicians left without work and nursery operators, transport workers and local traders seeing their incomes squeezed as hatchery activities have declined.

Fakir Mahitul Islam Sumon, president of the Shrimp Growers' Association of Bagerhat, urged the government to take immediate steps to reopen viable hatcheries and stabilise the supply of quality fry.

As part of the drive, department officials are inspecting licensed hatcheries and nurseries to check their operational status and licence validity. Several of the closed facilities have remained deserted for long periods.

Farmers said government intervention should go beyond serving administrative notices. They called for strict enforcement of biosecurity protocols, the supply of disease-free certified fry and regular field inspections after hatcheries resume operations.

How to build sustainable digital banks

RASHEDUL ALAM

Last week, I struggled to get change for a Tk 500 note to pay a Tk 30 rickshaw fare.

Seeing me get worked up, the rickshaw puller suddenly asked, "Mama, don't you have a bKash number?" When I asked why, he replied, "You can bKash me the fare instead of giving me the Tk 500 note."

I paused for a moment. What he said was simple, but what it represented was extraordinary: just a decade ago, it would have been almost impossible. This is a clear example of how deeply digital financial services have penetrated everyday life in Bangladesh.

Now, Bangladesh is entering the next chapter of this transformation with digital banks. The question is whether these institutions can create sustainable, trusted and customer-centric models.

Bangladesh's success with mobile financial services is part of the global business case, and its massive MFS adoption, lower operational costs, and focus on underserved populations indicate that its digital bank journey could follow a similar path.

Yet digital banks need to be mindful of six parameters: retaining the best talent, patience when it comes to profitability, understanding customer behaviour, public trust, healthy competition and collaboration with the Bangladesh Bank.



Digital banks can bring millions of underserved people, farmers, small merchants and SMEs into the formal financial ecosystem, creating new opportunities for savings, payments and credit.

Technology can build a digital bank, but human capital will determine whether it succeeds. Institutions that can attract, develop and retain a multidisciplinary talent base will be best positioned to build trusted, scalable and sustainable digital bank models for Bangladesh's next phase of financial inclusion.

Global experience indicates that digital bank profitability is a six-year journey on average. Shareholders should therefore not be impatient for profits, but focus on investment during the first three to four years.

The winners of Bangladesh's digital bank era will not necessarily be those offering the most products, but those understanding their customers the best. So, mining transaction data to offer products customers need will be vital.

With MFS fraud reaching Tk 81.3 crore in 2025, and only 8.7 percent recovered, trust and fraud prevention will be critical to digital bank adoption. Resilience should be designed into the bank from day one, rather than treated as an afterthought.

A healthy competitive environment will also be critical to the sustainable success of Bangladesh's digital banks. A race to the bottom on pricing can destroy value for both customers and shareholders. Digital banks should therefore avoid unsustainable price wars and instead compete through better customer experience, innovation, trust, convenience and, most importantly, market development.

Finally, the success of Bangladesh's proposed digital banks will depend not only on their strategies and technological capabilities, but also on the strength of their partnership with the regulator. A collaborative regulator-industry approach will help build a trusted, resilient and globally credible digital bank ecosystem in Bangladesh.

Bangladesh's economic ambition is moving beyond maintaining growth towards building an investment-led, employment-generating and more inclusive economy, with the government targeting an 8 per cent growth trajectory by 2030 and a $1 trillion economy by 2034. Digital banks can play a bigger role than simply becoming another channel for financial transactions.

Their strategic opportunity is to bring millions of underserved individuals, farmers, small merchants and SMEs into the formal financial ecosystem, converting previously invisible economic activity into trusted financial relationships, savings, payments and responsible credit. The success of digital banks should therefore be measured not only by how many existing banking customers they acquire, but by how many new participants they bring into Bangladesh's formal economy.

The writer is the executive vice president and head of supply chain management of bKash

Oil's new problem isn't supply. It's logistics

REUTERS, *London*

Middle East crude exports recently climbed to their highest levels since the start of the Iran war as more Gulf producers resume transit through the Strait of Hormuz – despite the continued threat of Iranian attacks.

Yet oil prices remain stubbornly elevated, suggesting logistical problems are proving as disruptive as outright supply losses.

Crude flows through the embattled waterway reached 14.2 million barrels per day on a seven-day average on Sept. 26, nearly 80 percent of pre-war levels, according to analytics firm Kpler.

While volumes have declined since, they will likely be revised higher because ships often disable satellite tracking systems while traversing the strait and for several days thereafter.

Either way, the trend is clear: a lot more crude is getting through the strait.

So why is Brent still trading above $100 per barrel? In a word, logistics.

For decades, the global oil industry functioned as a finely tuned system designed to move enormous volumes of crude and fuels over long distances at the lowest possible cost.

The conflicts in the Middle East and Eastern Europe have fractured that model, as a combination of record-high tanker rates, soaring insurance costs and a severe shortage of refining capacity has created bottlenecks across the energy supply chain.

Those problems may take months, if not years, to unwind, leaving consumers facing persistently high energy bills – even if the crude supply squeeze continues to ease.

Iran's blockade of the Strait of Hormuz following the onset of the war with the US and Israel on February 28 rapidly reshaped global oil flows.

Gulf producers diverted supplies through alternative routes, buyers sought barrels from more distant regions and governments released unprecedented volumes of oil from strategic reserves.



PHOTO: AFP/FILE

Tankers unload imported crude oil at a terminal in Qingdao port, China.

One of the biggest changes was that Saudi Arabia – previously the world's largest oil exporter – diverted its exports through its East-West pipeline, which delivers crude to the Red Sea port of Yanbu.

At one point this year, 4 percent of global oil supplies were via this route.

However, after the pipeline came under attack by Iranian-backed Iraqi militias in early September, Saudi Arabia was forced to redirect exports back to the Gulf via Hormuz, which it discovered, could be more easily transited than previously thought.

Saudi exports through Hormuz averaged 3 million bpd in September, the highest level during the conflict, according to Kpler.

While Saudi Arabia's crude exports through Hormuz in September were still only around half of pre-war volumes, the Kingdom's exports could quickly near pre-war levels as the East-West pipeline gradually returns to normal operations.

Ironically, then, the attack on the East-West pipeline, which was intended to cripple Riyadh, may have instead weakened Tehran's most powerful leverage – its purported control of the Strait – by demonstrating that large volumes can still transit Hormuz and other major export hubs despite continued attacks.

Yet the recovery remains fragile.

On the one hand, the increase in Gulf exports has helped reduce the global oil deficit.

Energy Aspects estimates the market now faces a shortfall of around 1.6 million bpd, down from roughly 4 million bpd during the peak disruption in May.

Under normal circumstances, such an improvement in supply would exert significant downward pressure on prices.

Instead, Brent remains above $100 a barrel, more than 40 percent above pre-war levels.

Prices certainly reflect a substantial risk premium linked to the possibility of renewed escalation, as Washington and Tehran have still failed to reach any form of understanding over the future of Hormuz.

But geopolitics is only part of the story.

Freight and insurance costs, once a relatively minor component of the delivered price of oil, have become major price drivers.

This is partly due to the current shuttle system operating around the Gulf.