Business

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Energy crisis, economic stress to take two years to ease

Says finance minister

STAR BUSINESS REPORT

Finance Minister Amir Khosru Mahmud Chowdhury expects the energy crisis and broader economic pressures facing Bangladesh to stabilise within two years, with a full economic recovery taking up to five years.

"It makes no sense to give people false hope by saying that we will solve all the problems tomorrow or the day after. We need at least two years," Khosru said at a meeting of the Foreign Investors' Chamber of Commerce and Industry (FICCI) in Dhaka yesterday.

"Under the government's plan, the entire economy, including the energy sector, will be stabilised within the first two years. The economy will gain momentum in the third year and make a full recovery in the fourth and fifth years."

Speaking at the meeting, titled "Sustainable Power and Energy: Driving Investment in Bangladesh", Khosru said it would be wrong to offer people unrealistic expectations of a faster recovery.

He urged the private sector to prepare for stronger economic activity in the fourth and fifth years.

Khosru blamed the current economic strain on the previous Awami League government and the ongoing conflict in the Middle East.

"Within just a week of our taking office, a war broke out in the Middle East, leading to the energy crisis. Compounding this are the debts from the previous government and other liabilities we have inherited," he said.

The finance minister said successive governments had not explored domestic gas resources for 15 years, making this a priority for the current government. Bangladesh Petroleum Exploration and Production Company Limited (Bapex) has been approved to drill 50 new wells, while production-sharing contracts (PSCs) are being finalised, he said.

Exploration will cover both onshore and offshore areas. The government has also set a target of generating at least 10 gigawatts of solar power and granted tax exemptions on solar power infrastructure, he added.

"We are planning to bring three to four new FSRUs [floating storage and regasification units] into operation to address the gas crisis, with South Korean, Chinese and American private investors involved."

Outlining plans for new energy infrastructure, the finance minister said, "Alongside Matarbari, a new site with a 20-metre draft has been identified near Khulna. A modern terminal will be built there to allow oil and LNG to be unloaded directly from large vessels, creating an energy hub."

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LC openings for petroleum imports surge 65% amid war

Hormuz closure sent oil and gas prices sharply higher in July-September, even as the volume of fuel Bangladesh imports has barely changed

STAR BUSINESS REPORT

Opening of letters of credit (LCs) for imports of petroleum and petroleum products rose 65 percent year-on-year in the first quarter of the current fiscal year as oil and gas prices remain high on the international market amid the war in the Middle East.

Bangladesh opened LCs worth $3.7 billion in the July-September period of fiscal year 2026-27, up from $2.28 billion a year earlier, according to Bangladesh Bank (BB) data.

LCs for crude oil imports tripled to around $630 million in the first quarter of FY27 from more than $200 million a year earlier. For other petroleum products, mainly gas, the value of LCs opened by state-owned and private firms rose to $2.4 billion from $1.12 billion over the same period.

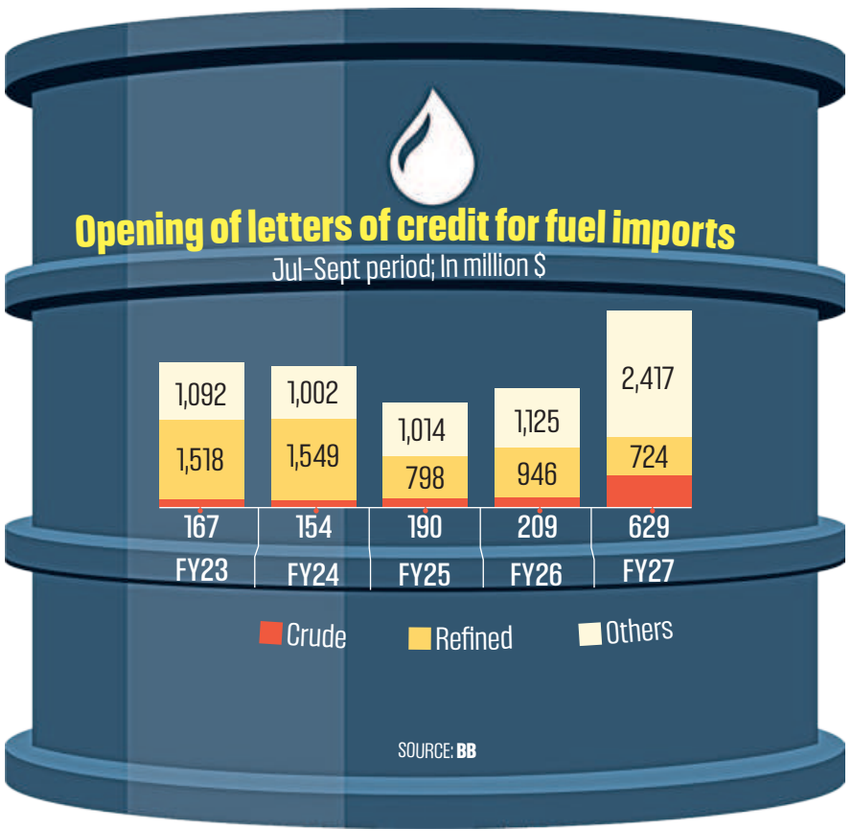
Shafiqul Alam, lead analyst for Bangladesh Energy (South Asia) at the Institute for Energy Economics and Financial Analysis (IEEFA), said import volumes are not increasing, but the cost of buying fuel is rising.

"In fact, the money we are spending is increasing," he said, adding that fuel import costs could rise to around $18-$20 billion this year from $12-$13 billion earlier. "If the crisis becomes prolonged, the expenditure could rise further."

Rising energy costs and concerns over supply shortages have already weighed on private investment and raised concerns about higher inflation.

Earlier this month, the World Bank said in its Bangladesh Development Update that economic growth would stagnate at 3.4 percent in FY27, citing persistent energy shortages and higher costs that continue to disrupt private investment and raise operating expenses for businesses.

"Prices of petroleum products have roughly doubled from a year ago. We are paying extra shipping costs and premiums to suppliers to bring in oil," said a senior official of the state-owned Bangladesh Petroleum Corporation (BPC), the sole oil importer.



Bangladesh, which heavily depends on energy imports, requires more than 68 lakh tonnes of petroleum a year, with diesel accounting for more than two-thirds of total demand.

The BPC official said prices have risen because of the war and the closure of the Strait of Hormuz, which used to handle one-fifth of global oil shipments before the conflict, although import volumes remain almost unchanged.

In the July-September quarter, LC settlements for petroleum and petroleum product imports rose 26 percent year-on-year to $2.93 billion.

Globally, average Brent crude prices rose by more than 40 percent year-on-year to $97 a barrel in the July-September period this year, from $69 a year earlier, according to the World Bank's latest commodity price data.

Similarly, the average price of liquefied natural gas (LNG) in Japan also rose, reaching $14.45 per million British thermal units (MMBtu) in the quarter, up from $11.73 a year earlier.

Bangladesh meets more than one-third of its gas demand through imports. It has had to rely on the spot market for LNG after its long-term supplier, QatarEnergy, declared force majeure, a term for an extraordinary event beyond a party's control that prevents it from meeting a contractual obligation.

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Bangladesh expects LDC deferment decision this month

STAR BUSINESS REPORT

Bangladesh expects a decision this month on its request for a three-year extension of the preparatory period for graduation from the least developed country (LDC) category, Commerce Minister Khandakar Abdul Muktadir said yesterday.

"We are expecting the decision on the LDC graduation deferment within the next week. If it is delayed for any reason, the final decision will come within this month," he said at a seminar on Bangladesh's LDC graduation trajectory and challenges at the Economic Reporters' Forum (ERF) office in Dhaka.

The seminar was jointly organised by the ERF and the Bangladesh Foreign Trade Institute (BFTI).

The G-77 group of developing countries has proposed deferring Bangladesh's graduation, while the European Union (EU) has supported the country's request for a three-year extension.

Following Bangladesh's request, the UN Committee for Development Policy (CDP) recommended an extension but did not specify a timeframe. The UN Economic and Social Council (ECOSOC), however, has recommended that the UN General Assembly (UNGA) grant Bangladesh a three-year extension.

As part of its preparations for graduation, Bangladesh has signed trade agreements with major partners, including Japan and South Korea, to help retain duty-free market access after leaving the LDC category. Negotiations on a trade agreement with the United Arab Emirates are expected to be completed next month.

Bangladesh also expects to conclude negotiations on trade agreements with Oman, Singapore, New Zealand and eight to 10 other countries by the end of this year or next year as part of its preparations for a smooth transition.

The minister expressed hope that negotiations on a free trade agreement with the EU, Bangladesh's largest export destination, would be completed before

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BTRC proposes spectrum price cuts of up to 30%

MAHMUDUL HASAN

The telecom regulator has proposed cutting spectrum prices by 10 percent to 30 percent for the renewal of airwaves held by the country's three mobile operators, reducing the government's potential revenue by Tk 3,744.7 crore over 12 years and four months.

The Bangladesh Telecommunication Regulatory Commission (BTRC) sent the proposal to the Posts and Telecommunications Division on October 15 for approval.

The proposal covers 79.2 megahertz (MHz) of spectrum held by Grameenphone (32.4MHz), Banglalink (24.4MHz) and Robi (22.4MHz) across three bands used for voice calls and internet services.

The 900MHz band provides wider coverage and better indoor connectivity, the 1800MHz band balances coverage and capacity, while the 2100MHz band supports higher data traffic.

The operators' current spectrum licences expire on November 10. Renewal is essential to maintain existing services, meet growing data demand and improve network quality.

The proposed prices would fall by 10 percent to 30 percent across the three bands. The 900MHz rate would match the price paid for 700MHz spectrum at an auction in January 2026.

At the proposed rates, spectrum renewal would cost around Tk 13,100.5 crore, compared with Tk 16,845.2 crore at current rates. The final cost would depend on the approved prices and calculation period, with taxes, VAT and other fees charged separately.

The allocation would run until March 10, 2039, covering 12 years and four months, when the operators' licences expire.

STUDY ASSESSES PRICES, ECONOMIC BENEFITS

According to its proposal, the BTRC based the new prices on a dedicated study approved by the ministry. Following a recommendation from a research steering committee, it appointed a development economist as a special consultant under public procurement rules.

The consultant used four methods to assess spectrum prices. An income-based model projected future cash flows, excluded earnings from other assets and ran thousands of simulations to account for uncertainty. An engineering model estimated the tower-building costs operators could avoid by holding more spectrum, treating this as the maximum they would rationally pay.

A third method compared international spectrum prices after adjusting for purchasing power, income levels and licence duration. The fourth, a socio-economic model, assessed wider economic benefits beyond government revenue, including better service quality and economic growth enabled by faster mobile data.

The consultant recommended a price range rather than a single figure because the risks were unequal. Overpricing could leave spectrum unsold and waste its economic potential, while slightly lower prices could still generate government revenue through taxes on increased economic activity.

Prices for other bands were calculated using 1800MHz as the base, with multipliers reflecting coverage, the equipment ecosystem and cost.

The study warned that high spectrum prices could discourage operators from buying airwaves, reducing government revenue and investment in network expansion.

Citing international research that a 10 percent increase in broadband penetration raises per capita income by 0.73 percent, the study estimated that a 1 percent increase would generate Tk 6,549 crore in annual economic benefits, based on Bangladesh's $455 billion GDP.

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Numbers behind the proposed cuts

Tk 13,100cr	Tk 16,845cr	Tk 3,745cr	79.2 MHz
Proposed renewal cost over 12 years & 4 months	Cost at current rates	Potential savings	Spectrum to be renewed across three bands

Proposed price by bands

Band	Spectrum	Existing price/MHz	Proposed price/MHz	Cut
900 MHz	19.8 MHz	Tk 263cr	Tk 237cr	10%
1800 MHz	39.4 MHz	Tk 263cr	Tk 198cr	25%
2100 MHz	20 MHz	Tk 245.9cr	Tk 172cr	30%

Govt spent $4.12b on energy subsidies in 8 months: Titumir

STAR BUSINESS REPORT

The government provided $4.12 billion in subsidies to the energy sector over the past eight months, Rashed Al Mahmud Titumir, the prime minister's adviser on finance and planning, said yesterday.

He also said nearly eight million people had fallen below the poverty line due to the previous government's failure to take effective measures.

The current government is working to address three major challenges inherited from the past: a fragile economy, high inflation and a shortage of jobs for educated young people, he said.

Speaking at the inauguration of the Environment, Social and Governance (ESG) Dashboard at the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) office in Dhaka, Titumir said Bangladesh had strong prospects of graduating from the Least Developed Country (LDC) category in 2029.

> **Nearly eight million people fell below the poverty line due to the previous government's failure to take effective measures, the adviser said**

He expressed confidence that poverty would decline significantly through the effective implementation of social protection programmes, including the Family Card programme.

The government is also working to create jobs by increasing investment in manufacturing, boosting domestic revenue collection without raising taxes, and increasing public spending on education and healthcare.

The ESG Dashboard is designed to assess compliance in the ready-made garment (RMG) sector. BGMEA President Mahmud Hasan Khan said the platform would help assess and improve the environmental, social and governance performance of member factories.

So far, 326 factories have submitted reports through the platform, but the number remains insufficient, he said.

Reporting through the platform would soon be made mandatory for BGMEA members to protect the industry as a whole. If necessary, BGMEA and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) would work together to enforce the requirement, he added.

M Masrur Reaz, chairman of Policy Exchange Bangladesh, said moving beyond conventional compliance towards sustainability had become an urgent necessity for the sector's long-term development.

Three state bank MDs face early exit

STAR BUSINESS REPORT

The government has decided to cancel the remaining tenure of the contractual appointments of the managing directors and chief executive officers of three major state-owned commercial banks: Sonali, Janata and Rupali.

Separate official letters issued yesterday by the Financial Institutions Division conveyed the government's consent to terminate their contractual agreements.

The letters were sent to the chairmen of the three banks, saying that "the government gave its consent or recommendation" to cancel the remaining tenure of the banks' top officials.

The interim government appointed Shawkat Ali Khan as managing director and CEO of Sonali in October 2024. The following month, Md Mazibur Rahman was appointed as the top official of Janata.

In December 2024, Kazi Md Wahidul Islam was appointed as managing director and CEO of Rupali.

