
Executive Summary

Bangladesh finds itself at a unique decision point. The country must move from an unacceptably low level of development to sustainable growth, along with a gross reduction in poverty. This task requires balancing between the use of domestic natural resources to monetize the economy, while risking excessively quick depletion of those resources. The key natural resource of the country is natural gas, which serves as the single guaranteed source of energy supply and feedstock for its chemical industry. It is also the single most powerful protection the country's fragile economy has against the extreme swings in energy prices experienced in the world in the new millennium. This study is focused entirely on the natural gas sector of the country (about 74% of commercial energy used by the country), thus only the marginal mention of oil (about 23% of commercial energy used), coal (about 3% of commercial energy used), and renewable energy sources. However, this should not be interpreted as neglecting these energy sources or viewing them as unimportant to the future of the country.

This report provides the reader with a broad introduction to the importance of natural gas to the economic goals of Bangladesh and to the challenges, problems, and possible solutions for the most critical issues. The study summarized herein identifies five problem areas which need to be addressed by the country to benefit from its natural gas resources:

- assurance of a sufficient amount of gas discovered, developed, and brought to market;
- gas pricing consistent with the market benefits and international substitute fuel pricing;
- a gas sector management rid of system losses which rob the country of the financial resources needed to develop and maintain gas production, transmission, and distribution systems;
- closer coordination of gas and power sector activities; and
- empowerment of energy regulators to make and endorse decisions on gas pricing and distribution independently from political winds.

The challenges and recommendations presented are based on the authors' knowledge and experience, analytical evaluation, as well as field visits and interviews with the leaders of the country's gas sector. The study also benefited greatly from the extensive and thorough work previously done by other researchers on the topic.

The report analyzes arguments for various decisions and the behavior needed to assure maximum benefit to Bangladesh from wise exploration, production and monetization of its natural gas, be it through domestic, industrial, commercial or electric power generation use, or through export of surplus production. The reader should appreciate the accompanying introductory sketch of the current status of the gas sector condition, description of the governance system over the gas economy of the country, and the strategic plans and associated obstacles for the optimal use

of natural gas resources by the country. In conclusion, it is hoped that the reader will share the authors' conviction as to the urgency of new discoveries and better documentation of known gas deposits, change of gas pricing philosophy to assure sustainable and improved performance of the sector, institutional restructuring to reduce system losses to levels commonly expected, and increased transparency in financial operation, thus reducing irresponsible or sharp practices by the sector management. The strengthening of checks and balances, as well as open communications in the energy sector of the country through stronger enforcement of the Bangladesh Energy Regulatory Commission's role, should be a priority.

The principal findings and recommendations of this study were presented at a workshop held on 11 July 2006 at the headquarters of Petrobangla in Dhaka, Bangladesh. The meeting was presided over by the Secretary of Energy of the Ministry of Power, Energy and Mineral Resources of Bangladesh, the Chairman of Petrobangla, and the Task Leader at Asian Development Bank. The meeting was attended by leading authorities and managers of the gas sector in Bangladesh, as well as representatives of international participants in the sector. A list of attendees is enclosed in Appendix H.

The participants applauded the roadmap outlined for the gas sector by this study and requested from the Secretary and the Chairman of Petrobangla that the study be followed by a more detailed plan to cover the areas of exploration, development, pricing, system losses, and institutional changes.