



A BOLD AND FORWARD LOOKING ENERGY STRATEGY FOR ALL

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Each country has its unique pathway to progress determined by its resource endowments, both tangible and intangible, its state of development, its aspirations and its political leadership. Energy policy is an integral part of this process of transformation.

Access to reliable and affordable energy supply, particularly power, to all citizens should be one of the highest priorities. Since energy plays a pivotal role in improving health, nutrition, women's empowerment and employment generation, particularly in rural areas, the emphasis should be to extend the coverage in the shortest possible time in the early stages of development instead of long deliberation on other related issues like energy mix and efficiency. Also, the pricing strategy should take into consideration energy as a merit good, given its wide ranging transformative effects and externalities. The commonly touted concept of market pricing of energy would grossly undervalue the benefits to society in the early stages of development.

We have seen the merit of such a strategy in Bangladesh. It is worth mentioning that Bangladesh is a country of 160 million people living in a land area of 147500 sq km, over one thousand people per sq km. In 2009, its economic growth and social developments were hamstrung by acute shortages of power, resulting in outages, in some instances, of 10 hours a day. The opportunity cost of power was estimated at 30 cents per kWh; foregone advancements were enormous. The new government of the day, led by Prime Minister Sheikh Hasina, adopted a bold and creative strategy to generate and distribute power with the belief that this would bring about a virtuous cycle of growth and development. Cost recovery was considered secondary.

During the last decade, access to power more than doubled from 45 per cent to 94 per cent and we hope to achieve universal coverage by 2021. In financial terms, this has entailed mobilising a total of public and private investments to the tune of US\$20 billion. The overall impacts were remarkable. Economic growth surged which is currently over 8 percent per annum. Exports and foreign exchange earnings have increased significantly, surpassing the past trends. More importantly, because of our emphasis on inclusion, focusing on the poor and the marginal population, human development indices have improved well over the trend, surpassing our peers in the region.

Along the way, government provided budgetary support instead of holding up its growth arising out of the question of cost recovery. Since the spinoff effects in terms of economic growth and social developments were realised,

it was easier to keep the overall budget deficits at around 5 per cent of GDP. The government did incrementally adjust power tariffs and fuel prices as personal incomes grew.

We deal with global warming issues in a manner consistent with our renewable resources and the need for a 24/7 basic energy supply. Though our carbon footprint is only 0.4 metric ton per capita per annum compared to almost 20 tons in OECD countries, we have promoted stand-alone solar home systems (SHS) in areas outside the coverage of the national grid to provide basic energy services to rural households. There are now 5.5 million SHS providing basic energy services to nearly 30 million people. Bangladesh has to find creative solutions to expand renewable energy use. We have completed resource assessment and mapping of renewable energy. Introduction of net metering, support to electric transport and solar irrigation are a few of the highlights of renewable energy expansion.

Having provided access to power, Bangladesh has entered the next phase of energy development requiring a robust transmission and distribution system to provide quality power. Creative measures to lower costs (through energy mix, improved efficiency along the value chain, demand side management etc.), and increased revenue (improving load factor by expanding and diversifying demand for power during off peak hours and adjustment of tariff) are being put in place. New challenges to create energy hubs requiring deep sea ports, importation of coal and LNG, capacity building for nuclear power plants and establishing regional networks for energy trade are being addressed.

With an impending decline of domestic production of hydrocarbons, Bangladesh has designed a new production sharing contract (PSC) with a package of incentives to attract E&P of oil and gas resources. The peaceful demarcation of maritime boundaries with India and Myanmar has opened new opportunities for hydrocarbon exploration, particularly in the Bay of Bengal.

The government of Bangladesh has set up new institutions to address the challenges. The *Sustainable and Renewable Energy Development Authority* (SREDA) will address the roadblocks for the future and find viable solutions. The *Energy and Power Research Council* (BEPRC) is dedicated to promoting research, focusing on I2E – innovation, incubation and entrepreneurship.

Bangladesh is now a low middle income country, aims to reach middle income status by 2030 and be a developed country by 2041. A bold, creative and forward-looking energy strategy is one of the cornerstones of this pathway. ■