March 2, 2015

Petroleum fund soon to save BPC from financial crunch

Shahnaj Begum

Bangladesh Energy Regulatory Commission (BERC) is set to create a Petroleum Development Fund like Gas Development Fund (GDF) or Electricity Development and Maintenance Fund to save the state-owned Bangladesh Petroleum Corporation (BPC) from financial crunch.

According to the BERC the fund would be raised by taking a portion from the profit that the BPC has earned from the sales of petroleum products in the domestic market.

"The fund would be used to develop BPC's projects and fine-tune and improve the supply system of fuel oil across the country through its own money which finally cut the cost of fuel-oil which is a burden on consumers' shoulders," Member of BERC Dr Salim Mahmood told The Daily Observer on Sunday.

According to the Energy Ministry sources it was estimated that BPC is likely to incur a loss of Tk 3,656.11 crore in 2014-15 fiscal due to an import duty hike on refined and non-refined petroleum fuels.

"But actually BPC did not incur any losses as it paid around Tk 4,000 crore as tax and vat in 2013-14 fiscal, not only that the BPC had to pay other taxes and charges to the government which made the state-owned company the country's highest tax payer organization," the official said preferring anonymity.

BPC will have to pay an estimated Tk 4,940 crore as tax and duty this fiscal.

"Our planning is to develop the BPC as a self-reliant organization, however, BPC engaged in oil refinery and crude oil import from abroad every year seeks loans from the local and foreign banks, it is not at all a good thing for a government statutory body so our plan is to reform the Gas Development Fund law and incorporate the BPC's issues into it," the BERC member said.

It was learnt that the government is planning to use the GDF to conduct feasibility studies on coal extraction, LNG, shale gas and other mineral resources.

"But the GDF was created to enhance the capacity of the national exploration and production companies. If the government plans to take such a decision then it would hamper the progress of gas exploration," Prof Shamsul Alam, an energy expert, said.

The fund had been formed with the extra money collected from consumers through a gas price hike put in place by the Bangladesh Energy Regulatory Commission (BERC). This is a separate fund for the energy sector from the regular budgetary allocation and from here Petrobangla received Tk 15,000 crore in last two years through which the BPC could undertake its own projects, he added.

The Energy Division had formed a five-member committee with its additional secretary Nazim Uddin as its convener. The committee was asked to submit its report by 15 working days from December 4 in 2014. However, the committee failed to submit the report on the grounds that the issue was the responsibility of the BERC.

The Energy and Mineral Resources Division formed a five-member body to amend the Gas Development Fund Policy 2012, aiming to utilise the fund to conduct feasibility studies on coal extraction from the country's existing deposits, LNG [liquefied natural gas], shale gas and other minerals resources after amending the policy.

"We are now preparing a draft of the policy to integrate new provisions so that almost all the state-run agencies under the Energy Division can utilise the fund," a senior official of the Energy Ministry said.

After the Energy Division amends the policy, state-run agencies like Bangladesh Petroleum Corporation, the Barapukuria Coal Mine Company Ltd, Geological Survey of Bangladesh, Bureau of Mineral Development and Hydrocarbon unit would be able to utilise the fund to explore for coal, to import LNG, to explore for shale gas and other minerals so we can allow the Ministry to do it, however, we are working on it, Dr Mahmood said.

– See more at: http://www.observerbd.com/2015/03/02/75605.php#sthash.gt0jXXSv.dpuf

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