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Gas exploration fund sees light, finally

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The mineral resources ministry issues a circular activating the fund, which paves the way for strengthening state-run companies to attempt to explore gas, Aminur Rahman Rasel writes



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Dhaka, March 1 (bdnews24.com) – A 'Gas Development Fund' has finally come into existence after a year and a half years after an order was issued by Bangladesh Energy Regulatory Commission (BERC) to draw up the financial source for development of exploration and production using excess earnings from sales.

The power, energy and mineral resources ministry issued a circular last week about the Gas Development Fund Regulation-2012.

Meanwhile, five state-run gas distribution bodies have already deposited Tk 11 billion to the fund in between August 2009 and January this year.

Petrobangla, the state-run oil, gas and mineral corporation, has already submitted a proposal to the ministry for separately allocating Tk 16 billion, including a projected deposit of Tk 5 billion within June, to four companies.

Petrobangla chief professor Mohammad Hossain Mansur added that the companies would be allocated the funds after they receive the ministry's approval in line with the new regulation.

The proposed companies are Bangladesh Petroleum Exploration and Production Company Limited (Bapex), Bangladesh Gas Field Company Limited (BGFCL), Sylhet Gas Field Limited (SGFL) and Gas Transmission Company Limited (GTCL).

Petrobangla's finance director Mohammad Rafiqul Islam Khan told bdnews24.com that the proposed fund allocation would be given on basis of 12 separate projects, four of which are of Bapex, two of BGFCL, one of SGFL and four of GTCL.

"Even though the fund was formed earlier, complications arose about using it as there were no regulations. It has been solved through the circular, which is positive," BERC member Mohammad Imdadul Haque told bdnews24.com.

He also urged the related authorities to be sincere about using the money properly.

BERC ordered raising consumer gas prices by 11.22 percent on July 30, 2009 in line with a Petrobangla proposal. At the same time, it ordered Petrobangla to form the Gas Development Fund to be financed by the excess income caused by the price hike.

GAS DEVELOPMENT FUND REGULATION

Dependency on International Oil Companies (IOCs) is increasing day-by-day to maintain balance of supply with the steadily growing demand.

To remove this situation, financial investment is needed to speed up exploration and production by

state-run companies.

So the BERC order calls for depositing a portion of money to the fund, 55 percent of the total tax (Value added and supplementary) on the excess earning accumulated from 10-15 percent increase in prices.

If the projects undertaken with allocation from the funds are deemed profitable, the allocation along with two percent annual service charge will have to be paid back following a three-year grace period in 14 installments from the fourth to the tenth year.

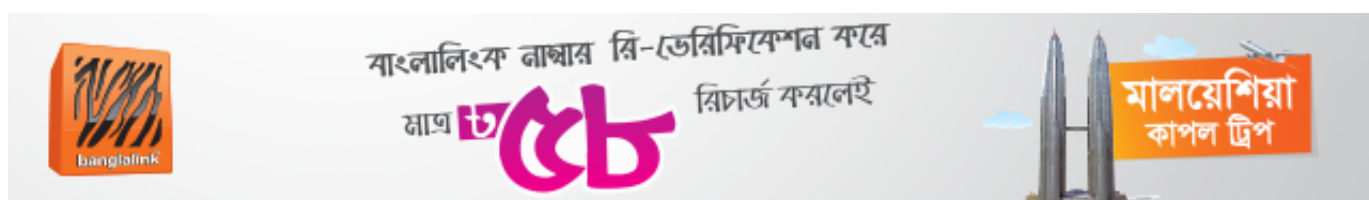
However, for projects undertaken for exploration, the allocation would be treated as donation, meaning they will not have to be paid back, if gas is not found or is not feasible for extraction.

Funding of exploration, production, development and distribution projects by local companies would be disbursed based on priority.

A six-strong committee, headed by Petrobangla's finance director, has been formed to suggest projects eligible for funding. The projects would be selected based on their suggestions that would require final approval from the ministry.

The fund would span over 10 years from the day the regulation is issued. The government would decide on whether and how the fund would be run at the end of the period.

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