

FOSSIL GAS ADDICTION OF ADB & AIIB IN BANGLADESH: A TALE OF DEBT, EMISSION, STRANDED ASSETS, AND ECONOMIC BURDEN

Since the 1970s, the Asian Development Bank (ADB) has played a significant role in the development of Bangladesh's energy plans and policies. However, rather than supporting the development of renewable energy facilities, this assistance has directly bolstered the reliance of the country on domestic fossil gas, as well as encouraged dependency on imported liquid petroleum.



Since 2010, ADB has financed USD 1,197.55 million for installing new gas power plants and USD 367 million for gas transmission and distribution.



Since 2016, AIIB (established in Dec. 2015) has provided loans totaling USD 170 million for installing gas power plants and USD 60 million for gas transmission and distribution in 2016.



Since the adoption of the Paris Climate Accord in December 2016, ADB and AIIB together supported four major gas power plants in Bangladesh with sovereign and non-sovereign loans totaling USD 870 million, majority (¾) of which rely on imported Liquefied Natural Gas (LNG).



225 MW Bhola Dual-Fuel Power Plant

LOAN AMOUNT

In 2018, AIIB approved a USD 60 million non-sovereign loan for building the 225 MW Bhola Power Plant, a domestic fossil gas and high-speed diesel-fired combined cycle power plant. Other financiers involved:

- Infrastructure Development Company Limited (USD 60 million)
- Islamic Development Bank (60 million loan)

SHIFTS IN CORPORATE AND FINANCIAL ACTORS

In 2022, SP Infra sold 49% equity of NBBL to BridgIn Power and paid back AIIB's loan. The World Bank Group's Multilateral Investment Guarantee Agency (MIGA) issued guarantees totalling USD 407 million to cover this acquisition and refinancing and loans made by an international lending consortium (Bank of China Limited, DBS Bank Limited, ING Bank, Mizuho Bank Limited, Sumitomo Mitsui Banking Corporation (SMBC) and Société Générale).

STATUS **Operating**

PROJECT SPONSOR

A subsidiary of SP Infra, Nutan Bidyut (Bangladesh) Limited (NBBL), holds a contract to operate the project as an Independent Power Producer for 22 years from commercial operation date (COD).

IMPACTS OF THE PROJECT



In 2019, NBBL bought 5.78 acres of land from local small farmers without paying proper compensation, but was eventually forced to pay the correct amount following one year of sustained outcry by local people.



Subsequently, NBBL again bought 11.645 acres without paying proper compensation and grabbed a further 0.30 acres of land, paying no compensation whatsoever.



NBBL has dumped debris into a small tidal canal beside the power plant, used by local people for bathing and household needs. As the canal no longer has high tide water carrying capacity, monsoon rains now inundate nearby betel leaf farms, causing people to lose income from ruined crops.

Estimated emissions: 783.29 thousand tonnes of CO₂e annually; at least 17.23 million tonnes of CO₂e in its lifetime. If priced at USD 25 per ton, project sponsors would owe USD 19.58 million per year.

The Government of Bangladesh paid USD 33.93 million in FY 2021-22 as the capacity charge. If continued for the 22-year contract, the government would pay an estimated USD 750 million to the project sponsors.



800 MW Rupsha LNG Power Plant

LOCATION

Along the Bhairab River, a habitat for the globally-endangered Ganges Dolphin (*Platanista gangetica*) and the source of livelihood for 1350 local families living in the area (near and around Khulna City) who depend upon fishing there.

LOAN AMOUNT

A loan of USD 500.00 million from the ADB was approved in 2018 to build the 800 MW Rupsha LNG Power Plant. Other financiers include the Islamic Development Bank (loan of USD 300.00 million), and Japan's Fund for Prosperous and Resilient Asia and the Pacific (grant of USD 1.50 million).

STATUS Not yet operational. COD proposed for September 2024

PROJECT SPONSOR

Bangladesh's state-owned North-West Power Generation Company Ltd. (under the Bangladesh Power Development Board) holds a contract for operating the project for 22 years after the Commercial Operation Date (COD).

IMPACTS OF THE PROJECT

In 2022, SP Infra sold 49% equity of NBBL to Bridgfin Power and paid back AIIB's loan. The World Bank Group's Multilateral Investment Guarantee Agency (MIGA) issued guarantees totalling USD 407 million to cover this acquisition and refinancing and loans made by an international lending consortium (Bank of China Limited, DBS Bank Limited, ING Bank, Mizuho Bank Limited, Sumitomo Mitsui Banking Corporation (SMBC) and Société Générale).

UNCERTAIN SOURCE OF FUEL

Rupsha LNG Power Plant was originally planned to run on imported liquefied natural gas (LNG), sourced from the Maheshkhali LNG terminal, the (now canceled) Payra LNG Terminal, or the Indo-Bangla LNG Pipeline. However:

- there is no confirmed source of LNG
- if construction for any gas pipeline begins now, supplies of gas will only be possible by the end of 2025 (i.e. one year after the proposed COD).
- in the interim, the power plant may be run using expensive High-speed Diesel (HSD). Alternatively, it may remain idle as another stranded asset, in which case the government will be left paying additional capacity charges of USD 183.15 million annually for the power plant.

MOVING FORWARD

ADB and AIIB must:



Suspend destructive fossil fuel-based projects in Bangladesh and finance for community-based distributed energy so that the country can achieve 100% renewable energy by 2050 in line with the Paris Agreement;



Ensure proper compensation for the affected communities to continue their traditional livelihoods and enjoy the full potential of economic development;



Impose carbon prices on emissions according to emerging global standards that take into account mortality costs, paying the amount to the communities as compensation for the loss of their health, livelihood and natural resources; and



Translate all project documents in locally understandable languages and ensure proper dissemination of the information in the communities prior to approval.