



Short communication

# Corruption, crony capitalism and conflict: Rethinking the political economy of coal in Bangladesh and beyond



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## ABSTRACT

Bangladesh is planning to build a series of coal-fired power plants to meet the increasing gap between its energy demand and supply. The energy mix of the country is dominated by natural gas but as supplies have begun to dwindle, the pressures of diversification has opened up the window for an expansion of coal. But this expansion is being met with stiff resistance from civil society and local communities that are facing the potential of a power plant in their areas. Issues of environmental degradation, land grabbing, corruption and crony capitalism are playing out within an increasingly complex political economy of coal. The Government's plan to increase the share of coal in the electricity mix from its current 2%–40% by 2021 represents a paradigm shift in energy infrastructure, but it remains to be seen if this shift will take its toll on peoples lives, their livelihoods and the democratic functioning of the country. This short communication will explore these aspects with the recent killing of 4 protestors of a proposed coal plant, at its center.

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## 1. Introduction

On the morning of April 4th, 2016, Zaker Hossain woke up in a state of anxiety. A 37 year-old salt cultivator from the remote village of Gandamara in the Chittagong district of Bangladesh, Zaker was going to take part in a peoples protest that day. On April 3rd, a day before, 7 others of his community were arrested for obstructing the entry of a few company officials of a coal fired thermal power plant into their area. Zaker and 1500 others had gathered under the banner *Boshot vita rokkha Committee* (committee to protect households) to demand the release of the arrested. What began as a peaceful protest soon turned violent as the police opened fire and Zaker found himself in their crosshairs. He was critically injured and was pronounced dead upon arrival at the hospital. The police had fired over 700 rounds at the gathering, leaving hundreds injured. That day, Zaker Hossain along with Murtaza Ali (62), Zaker Ahmed (60) and Anwarul Islam (55) joined an alarming and increasing list of victims of state violence, against dissenters of coal based energy.

Bangladesh, a small yet densely populated nation is pursuing a rapid expansion of coal based infrastructure for bringing economic growth. It was only a decade ago on August 26th, 2006 that 3 people were shot dead by paramilitary forces in the district of Phulbari, where 5000 people had gathered to protest against an open-pit coal

mine. The incident resulted in a ban on mining in Phulbari but the struggle has not ended. GCM resources (formerly Asia Energy Corporation), a London based company which is invested in the mining operations has continued to pile up pressure on the Bangladesh Government and is expecting the necessary approvals soon.

The movement against open-pit mining has been strong and the Phulbari struggle has gained worldwide attention, forcing the Government to adopt greater caution. But the recent horror of killings in Banskhali (the county where the shootings took place) has been met with little sympathy from the country's leaders. The Prime Minister Sheikh Hasina dismissed the opposition to coal based energy as baseless and bizarre imaginations of a few people. Invoking the fact that a coal plant exists even in Oxford, she seemed to indicate that coal is safe and essential for development.<sup>1</sup> A 15-day moratorium was put on any further work at the site but the Government has made its intentions clear that the coal plant would be built at the designated site.

## 2. Bangladeshi energy scenario

With an installed generation capacity of 12.3 GW, Bangladesh has one of the lowest per capita energy consumption of 320 kW h

<sup>1</sup> No coal plant exists in the city of Oxford and the Didcot A plant in Oxfordshire was brought down in 2014. The only plant that exists there at the moment is Didcot B, a natural gas plant.

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in the world. Coal only contributes 2% of this generation capacity with a bulk of it (62%) coming from domestic natural gas. Furnace oil and diesel make up an additional 29% of the generation capacity. But with fears of dwindling gas supplies and the need for diversifying the energy mix, the emphasis has shifted to exploiting coal. The country's Power System Master Plan (PSMP-2010), developed jointly by the Japanese International Cooperation Agency (JICA) and TEPCO, offers an energy road map that the country is building its plans on [1]. The PSMP projects a capacity addition of 40 GW by 2030 and 60 GW by 2040 with a mix of 50% coal, 25% gas and the rest from a variety of sources.

A third of the population still does not have access to electricity and those who do, receive an intermittent and poor supply. On November 2nd, 2014 the entire country was plunged into darkness when the failing of a transmission line from India had a cascading effect on the national grid, which remains in dire need of modernization. Bangladesh certainly acknowledges the need for more energy at affordable costs but given the tough political choice of approving domestic coal mining in densely populated areas, the Government is turning to imported coal and finance from its neighbors. India, China and Japan have signed agreements with both the public and private sector in Bangladesh to set up thermal power plants.

24 coal-fired stations amounting to 20 GW are in the pipeline and at various stages of approval and construction. Many of these plants were conceived during the early years of the incumbent party, the Bangladesh Awami League, which came to power in 2008, yet not a single plant is currently ready and generating power and many are mired in controversies.

Table 1 below highlights some of the big plants and their surrounding controversies.

### 3. Political economy of Bangladeshi coal

Having had a close experience with people's movements against coal in India, I can safely claim that the political economy and social justice aspects of coal in Bangladesh are not entirely unique. The similarities are striking and offer us insights into the entrenched methods of the coal industry through their nexus with the local Governments in the subcontinent. The following section looks at some of the key recurring reasons behind coal protests through the example of the recent killings in Bangladesh and similar episodes in India.

#### 3.1. Weak energy governance

Bangladesh has a litany of energy deals gone sour with multinational firms like Chevron and Conocophillips setting the rules of the game. Actual costs of gas projects for instance have been 10–30 times higher than the initial estimated costs. Owing to a lack of indigenous technical capabilities, the state oil company Petrobangla has offered its gas reserves on auction but multinational firms are hesitant to move in without the right incentives. The Government has been forced to increase wellhead prices, introduce tax holidays, increase payments for cost recovery, remove duties on imported machinery and bring in opportunities for contractors to sell to third party buyers. With Bangladesh struggling to keep control of its own resources, its recent victory over India to secure rights over a 20,000 sq. km area rich in natural gas might well end up as another case of the resource curse [3].

As economist Joseph Stiglitz remarked, "A country that sells off its natural resources, privatizes its oil company, and borrows against future revenues, may experience a consumption binge that raises GDP, but the accounting framework should show that the country has actually become poorer. In many developing countries,

privatization is tantamount to selling the natural resources to foreign firms, since there are no domestic firms with the capital and skills necessary to undertake the task of ex-traction. A country like Bangladesh, with limited reserves of natural gas, might want to exercise caution when selling its gas, given that there is no other effective way of insuring itself against an increase in the price of energy over the long run" [4].

It is hard to imagine why the coal sector might be any different as the Government continues to lay out the red carpet for further investments in exploiting domestic resources. If it was not for the sustained struggle against Phulbari open-pit mining, the terms of agreement struck by GCM Resources would have allowed for 75–80% of the extracted coal to be exported through the Sunderban mangrove forest with a mere 6% royalty to Bangladesh.

Another point of significance is the geopolitics in the SAARC (South Asian Association for Regional Cooperation) grouping. Nations like Bangladesh have become political battlegrounds for India and China where each is wrestling the other for greater economic and political influence in the broader region. Both nations are expanding their economic might in Bangladesh by supporting large infrastructure projects and funneling development aid. The result, as we have seen in the case of Sri Lanka, is an unmanageable national debt and the inevitable political compromises that follow. Nearly 70% of Sri Lanka's infrastructure projects are funded by China, tripling its foreign debt, and when a new Government took over in 2015 they were forced to take financial decisions against their own interest; accepting the demands of the Chinese to avoid a further debt trap. For a small country like Bangladesh with weak institutional power, there is little scope to push back on political pressure from bigger economies and that often translates to putting the interests of capital before that of the people [5].

#### 3.2. Violations of environmental norms

A fundamental requirement of any big infrastructure project is an Environmental Impact Assessment (EIA) that validates its impacts on the local environment. Mandated to be carried out by a third party with no conflict of interest; the EIA is a key report that determines the approval for a project. The Banshkhali power plant for instance did not have an EIA and yet the developers began the process of land acquisition. The site for the Rampal power plant in Khulna district, a mere 14 km's away from the Sunderbans, violates another basic environmental norm which stipulates a buffer zone of 25 km's around a coal plant. 1834 acres of land was acquired prior to the EIA approval.

Multiple cases of spurious EIA's have been documented in India where shoddy 'copy-paste' jobs are presented for approval. Owing to the large number of projects that are often overseen by small committees, the best intentions of the project proponent are assumed. The lack of an EIA is hardly a deterrent for the development of a project and that highlights a clear disregard for local environmental impacts [6].

#### 3.3. Refusal to engage public through consultations

Public consultations are indispensable within any democratic country for deciding on projects of a wider social consequence. The Banshkhali killings was another case where local authorities and project developers refused to engage with the public to allay their fears. Instead, in what can be described as an absolute travesty of justice, the local administration falsified data to show that the project area had only 150 households that might need rehabilitation when in reality nearly 7000 households lived in the area alongside religious, educational, health and trade institutions. Many of the local citizens who were either salt and shrimp cultivators or other agro-farmers, demanded dialogue on relocating the

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