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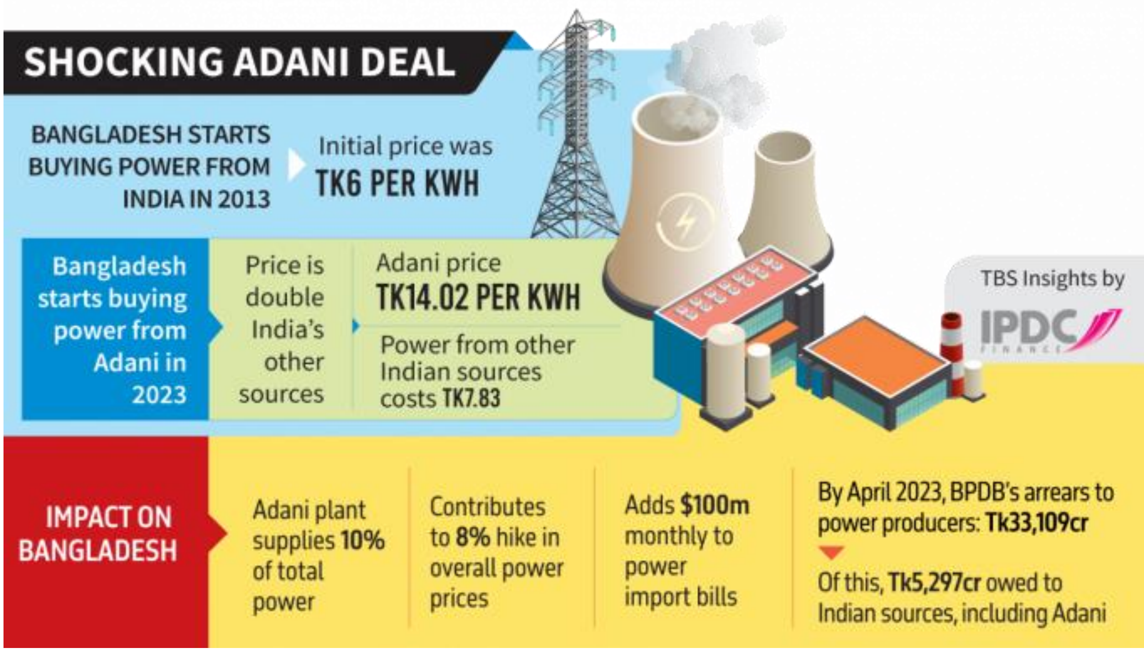
THE ADANI POWER DEAL AND BANGLADESH’S ENERGY CRISIS

The Adani Power deal, signed in 2017, remains one of the most contentious and emblematic examples of Bangladesh’s flawed energy strategy. The agreement to import electricity from India’s Godda Thermal Power Station at a fixed rate for 25 years has proven to be economically burdensome and strategically shortsighted. While the deal was initially hailed as a step towards addressing Bangladesh's energy crisis, its long-term consequences demonstrate how poorly negotiated contracts can undermine the country's energy security and financial stability.

At the core of the issue lies the exorbitant cost of electricity. The rate of BDT 14.02 per unit, compared to the domestic rate of BDT 8.77, places an undue financial burden on consumers and industries. This price disparity cannot be justified, particularly when considering Bangladesh’s ongoing energy shortages and the significant costs borne by consumers. Adani’s electricity prices are not just high but disproportionately so, considering the relatively low-quality energy infrastructure on both sides of the border. The agreement’s terms lock Bangladesh into an unsustainable pricing structure that fails to account for future inflation or energy market fluctuations, effectively hamstringing the country's ability to seek more competitive alternatives.

Additionally, the contract's financial arrangements have been questionable at best. The withholding of tax benefits, which results in an additional $28.6 million annually, represents a stark example of financial mismanagement. Such benefits, if transferred appropriately, could have alleviated some of the financial pressures faced by the country. However, the lack of transparency and accountability in the contract's financial terms calls into question the motivations behind the deal. The failure to pass on tax benefits is a clear example of how Bangladesh's lack of contractual safeguards has led to significant financial leakage.



One of the most critical failures of the deal is the lack of flexibility and the unilateral adjustments made by Adani, including supply reductions. These supply reductions, which reached 60% at one point, were a direct violation of the contract's terms and left Bangladesh vulnerable to energy shortages. In a country already struggling with an energy crisis, such disruptions could have far-reaching consequences for the economy and public welfare. The contract does not adequately address penalties for such violations, which speaks to the broader issue of Bangladesh's weak bargaining position and the lack of foresight in its energy procurement strategy.

The Adani deal also raises serious questions about the capacity of Bangladesh's energy regulatory framework to negotiate favorable deals. In the future, Bangladesh must insist on stricter contract terms that include cost transparency, flexibility in supply, and protection against unilateral changes. Introducing clauses for independent monitoring and third-party audits could prevent such situations from arising again. Furthermore, addressing the currency risks by negotiating contracts in local currency, along with measures to ensure the pass-through of tax benefits, would provide more stability and reduce exposure to external financial shocks.

In conclusion, the Adani Power deal serves as a cautionary tale for Bangladesh's energy sector. It highlights the risks of poorly negotiated contracts and the consequences of neglecting transparency and flexibility in international agreements. As Bangladesh moves forward, it must take these lessons seriously to avoid repeating such costly mistakes in future energy deals. Without a fundamental shift in how the country approaches energy procurement, its energy crisis will likely persist, stunting its broader economic development.

BANGLADESH’S POLITICAL AND ECONOMIC LANDSCAPE IN 2024

In 2024, Bangladesh faced significant political and economic challenges that underscore deeper systemic issues. The year began with the highly contested 12th National Parliamentary Election on January 7, which highlighted the country’s enduring political polarization. The election was followed by protests during the Quota Reform Movement, which lasted from July to August. These protests were not mere calls for policy change but reflected broader dissatisfaction with systemic inequality and the lack of meaningful political reform. They indicated that the political establishment's promises of inclusivity and fairness remain largely unfulfilled.

Furthermore, the formation of an interim government led by Muhammad Yunus in August 2024 raised questions about the legitimacy and accountability of the political transition. While the interim government’s approach of "friendship to all" might seem pragmatic, it risks perpetuating the political instability that has plagued the country for years. A government formed under external pressures and without a clear mandate risk undermining democratic values and perpetuating a political culture rooted in transactional politics.

Economically, Bangladesh’s performance in 2024 further underscored the country’s vulnerabilities. The 5.2% GDP growth in FY 2024, a drop from 5.8% in FY 2023, signals that Bangladesh’s growth model is beginning to lose its momentum. Despite optimistic projections of a rebound in FY 2025, this growth is increasingly fragile. The country continues to grapple with inflation, with food inflation reaching a staggering 14%. These figures highlight the failure of previous economic policies to stabilize the country’s macroeconomic environment. The inflationary pressures are not only a consequence of global commodity price hikes but are compounded by internal inefficiencies, including poor supply chain management and structural weaknesses in the domestic economy.

Trade patterns have worsened, with labor cost increases driven by protests and an energy crisis that has raised production costs. The reduced demand from key export markets such as Europe and the U.S. is a clear indication of Bangladesh’s growing dependence on markets that are increasingly volatile and saturated. The decline in foreign exchange reserves below $20 billion, despite efforts to manage inflation and fiscal deficits, is further evidence of the country’s external vulnerability.

From a foreign policy perspective, Bangladesh's engagement with India remains an enduring challenge. The nation continues to navigate a delicate geopolitical environment, trying to balance its relations with India while also pursuing greater strategic autonomy. While a balanced approach may seem necessary, Bangladesh’s policy is increasingly seen as reactive rather than proactive. The country’s foreign policy lacks clear, long-term objectives and is shaped by short-term political gains rather than strategic foresight. Furthermore, Bangladesh’s growing engagement with China raises questions about its long-term commitment to its traditional ties with India. The increasing strategic influence of China in South Asia, coupled with Pakistan’s growing diplomatic outreach, complicates Bangladesh's position in an already volatile region.

In conclusion, the political and economic challenges Bangladesh faced in 2024 reveal systemic fragility. While the country has seen growth, it has been uneven and largely dependent on external factors. The inability to address deep-rooted structural problems—whether in governance, economic policy, or foreign relations—suggests that Bangladesh may struggle to maintain its trajectory. The year 2024 might be a wake-up call for policymakers, signaling the need for profound reforms that go beyond surface-level adjustments.