

Transition choices: will Bangladesh choose a gas-free future?

Bangladesh at the
crossroads of transition



Bangladesh relied primarily on domestic gas to power its industrial boom in the 2000s and 2010s, with gas-fired power also fueling electrification. By 2023, it still accounted for half of total energy supply and electricity generation, and 69% of energy production,¹ despite being increasingly costly, and despite the potential for renewable energy, especially solar power, in the country.

In the mid-2010s Bangladesh announced that its reserves were depleting faster than expected and since then **has pivoted from being a gas producer to an importer. Initially this was through long-term supply contracts with Qatar and Oman, but more recently through the Liquefied natural gas (LNG) spot market, with its volatile prices.** That pivot has jeopardized the country's energy security, exposing Bangladesh to shortages and geopolitical risks from recent events, and the climate even though more sustainable and affordable solutions exist.

Fossil fuel use: a factor of structural vulnerability for Bangladesh

Bangladesh was considered one of the world's Least Developed Countries until 2026,² when it is supposed to graduate to become a Developing economy. The evolution of its energy mix and demand over the past decades reflects this economic take-off, as well as the country's population growth of 1% annually.

Since the beginning of the 21st century, Bangladesh has made significant progress on access to electricity. In 2009, only 47% of the population had access to electricity; today, access stands at roughly 80%.³ Sixteen years on, the country has rapidly transformed its power sector and now has surplus generation capacity, with installed capacity reaching almost 29 GW as of May 2026.⁴

Capacity remains almost entirely fossil-fuel-based, with gas dominating the power mix. As domestic fields declined,⁵ **Bangladesh opted for gas imports, including expensive LNG.**⁶ This intensified the country's **exposure to the highly volatile spot market, resulting in very costly gas imports.** Moreover, long-term supply, secured through contracts, is heavily concentrated in two countries: Qatar on the one hand⁷ and Oman on the other, casting uncertainty on gas imports whenever instability rises in the region.

Exposure to even more climate-damaging energies is also a perverse effect of gas dependency: whenever gas becomes less affordable or available, coal tends to replace it, now accounting for nearly 27% of installed capacity, while heavy fuel oil plants add a further 19.5%.⁸ Renewables, by contrast, remain marginal at around 5.4% of installed capacity, leaving fossil fuels responsible for roughly 90% of actual generation.⁹

¹ International Energy Agency (IEA), [Bangladesh: Energy Mix](#), accessed on 18/08/2026

² United Nations, [Bangladesh Graduation Status](#), accessed on 26/08/2026

³ IEA, [Bangladesh: Energy Mix](#), accessed on 18/08/2026

⁴ Mongabay, [Bangladesh's energy crunch highlights the promise — and limits — of solar](#), 21/05/2026

⁵ At the rate of current consumption, proven reserves could be fully exhausted by 2039, or earlier if no new large gas field is discovered.

⁶ The Oxford Institute for Energy Studies, [Emerging Asia LNG demand](#), September 2020

⁷ IEEFA, [Fostering Bangladesh's Energy Transition](#), May 2026

⁸ Mongabay, [Bangladesh's energy crunch highlights the promise — and limits — of solar](#), 21/05/2026. According to this source, oil-fired peaking power plants cost Bangladesh over twice the average grid-based power, prompting the government to provide hefty subsidies each year.

⁹ The Business Standard, [The road to 2026: Bangladesh's graduation from LDC and what lies ahead](#), 16/08/2025

As a result, today, Bangladesh relies on imports for more than 60% of power generation and 44%¹⁰ of primary energy supply. To absorb its growing energy demand, expected to peak at around 60 GW in 2041 with a 7-10% annual increase by then,¹¹ Bangladesh has repeatedly chosen costly solutions that only deepened its dependence on external supply, at the expense of sustainable stability.

Bangladesh is paying a steep price for its growing dependence on imported LNG. The country's two private Floating Storage and Regasification Units (FSRUs) receive US\$454,000 every day in terminal fees, even when not a single unit of LNG is regasified. Since 2018, the Government has spent US\$25.65 billion on LNG imports. This rising expenditure is not a path to energy security.

Bangladesh must urgently move beyond fossil gas and accelerate a shift to affordable, decentralized renewable energy.

Hasan Mehedi - Chief Executive, Coastal Livelihood and Environmental Action Network (CLEAN) and Member Secretary, Bangladesh Working Group on Ecology and Development (BWGED)



The costs of LNG dependence

Bangladesh currently relies on two floating storage and regasification units (FSRUs) for its LNG imports, both moored close to Moheshkhali Island in the Bay of Bengal:

- **Moheshkhali FSRU** – owned and operated by US-based Excelerate Energy (ownership will transfer to state-owned Petrobangla after 15 years), operating since 2018 with a capacity of 4.5 Mtpa.¹²
- **Summit FSRU** – owned and operated by Summit Power International, the Singapore-registered energy arm of Summit Group, a Bangladeshi conglomerate; operating since 2019, with a capacity of 3.8 Mtpa.¹³

This dependency on LNG carries a high risk when unanticipated events strike. In July 2026, a fire broke out at the Moheshkhali FSRU, slashing gas supply and causing shortages,¹⁴ leaving the national grid dependent on the Summit FSRU. Most importantly, reliance on LNG causes structural fragilities. When Russia invaded Ukraine in 2022, spot LNG prices spiked so violently that Bangladesh suspended spot purchases for seven months, triggering nationwide load-

¹⁰ IEEFA, [Navigating Bangladesh's Energy Trilemma](#), 07/10/2025

¹¹ International Trade Administration, [Bangladesh Country Commercial Guide](#), March 2026

¹² Global Energy Monitor, [Moheshkhali Floating LNG Terminal](#), accessed on 26/08/2026

¹³ Global Energy Monitor, [Summit FSRU](#), accessed on 26/08/2026

¹⁴ United News of Bangladesh, [FSRU fire disrupts LNG imports, gas crisis may last 10–15 more days](#), 27/07/2026

shedding¹⁵ and putting pressure on the country's currency reserves.¹⁶ Bangladesh was forced to slow industrial activity (with readymade garment at its core) and fertilizer production when the war in the Middle East broke out, resulting in the closure of the Strait of Hormuz, because gas was no longer available.

A pipeline of new LNG terminal projects has been proposed,¹⁷ though most have stalled or been cancelled. The most prominent, Matarbari LNG, is meant to become the country's first onshore terminal. First proposed in 2019, its tendering process was cancelled entirely in 2024, and the project remains currently in the planning and feasibility stage.¹⁸

Bangladesh now stands at a crossroads, where it either re-starts its LNG program or looks at alternatives. Compounding existing problems, on the one hand, new LNG import contracts signed with Saudi Aramco and Gunvor (intended to reduce spot-market exposure and diversify away from Qatar concentration)¹⁹ may bring in more LNG than the existing infrastructures can physically regasify and transport, or more than the country's public funds can afford.²⁰ On the other hand, developing additional infrastructure will lead to a long-term fossil lock-in of the country and increase the risk that these assets become stranded.

Bangladesh's untapped solar potential

Energy demand is predicted to rise in Bangladesh, thanks to a growing population and increasing GDP. The country has targeted **20% of national "clean" electricity by 2030 and 30% by 2040²¹ in its 2025 Renewable Energy Policy, seeking to limit reliance on fossil-based power generation.** However, a notable share of this "clean" energy is planned to rely on questionable technologies like carbon capture and storage (CCS) for fossil-fired power plants, ammonia, and hydrogen.

Despite its ambitions, Bangladesh appears not to be on track to meet its 2030 target. Renewable electricity barely represents 2% of domestic production,²² even though the country has strong solar potential - averaging 4.59 GHI of solar irradiance.²³ The National Solar Energy Action Plan foresees almost 40 GW of solar capacity by 2041.²⁴

Bangladesh is well-suited to both decentralized and utility-scale solar systems. The country

¹⁵ When electricity demand exceeds the available supply, load-shedding is the fact that certain economic areas, activities, or consumers are temporarily disconnected from the grid to prevent blackout.

¹⁶ IEEFA, [Cambodia at a Crossroads: An Economic Assessment of LNG-to-Power Plans](#), 11/2024.

¹⁷ A total of 7 import terminal projects, proposed between 2017 and 2021, have been cancelled according to [Global Energy Monitor](#).

¹⁸ As another example, a proposal to build a terminal and pipeline at Kutubdia Island with India's Petronet, and an agreement with Excelerate Energy for a new FSRU near Payra seaport were both cancelled, after the interim government repealed the Quick Enhancement of Electricity and Energy Supply (Special Provisions) Act 2010 in 2024 and unwound the deals signed under it.

¹⁹ Maritime Logistics Professional, [Bangladesh Seeks US LNG Amidst Global Supply Disruptions](#), 12/08/2026

²⁰ GasWorld, [Bangladesh LNG expansion could increase annual imports by \\$8.5bn, IEEFA warns](#), 28/08/2026.

²¹ [Bangladesh's Renewable Energy Policy](#), 2025, accessed on 25/08/2026

²² Energy Tracker Asia, [Renewable Energy in Bangladesh – Current Trends and Future Opportunities](#), 09/06/2024

²³ Energy Tracker Asia, [Solar Energy In Bangladesh: Current Status and Future](#), June 2024

²⁴ Enerdata, [Bangladesh releases plan for 40 GW of solar capacity by 2041](#), October 2020

is heavily investing in the world's largest off-grid solar system program, the Rural Electrification and Renewable Energy Development (RERED) Project.²⁵ This solar home program has provided electricity for around 20 million people across the country since 2003. As of June 2026, rooftop solar capacities including small units in Bangladesh might reach 1 GW.²⁶ But the country's vast and flat rural areas could also support large-scale projects, and supply more densely populated areas: some 16GW out of the 40GW in the national plan are planned to come from large solar hubs.

Banks support LNG expansion in Bangladesh

LNG expansion in Bangladesh is driven by a handful of companies, with Bangladesh Oil, Gas and Mineral Corporation (Petrobangla), the state-owned company, and Excelerate Energy, a US-based LNG company very active in Asia, as leaders. The latter relies on support from international banking groups to carry out its LNG expansion activities.

Between 2021 and 2025, Excelerate Energy received US\$505 million in financial support for its LNG expansion plans in Bangladesh from international banks.²⁷ This support was mainly provided by institutions such as Wells Fargo, SMBC, DNB, Crédit Agricole, Barclays, BNP Paribas, and Nordea.

Table – Financial support for LNG expansion plans in Bangladesh by the 10 leading supporters of Excelerate Energy.

Bank	Country	Financial support for LNG expansion in Bangladesh (2021-2025, in US\$ million)
Wells Fargo	United States	84.6
SMBC Group	Japan	80.6
DNB	Norway	76.6
Crédit Agricole	France	76.6
Morgan Stanley	United States	51.1
Barclays	United Kingdom	46.5
BNP Paribas	France	27.8
Nordea	Finland	23.8
JPMorgan Chase	United States	8.0
Tuohy Brothers	United States	7.6

What is more, dedicated financial support for Bangladesh's existing LNG terminals came from the Japanese SMBC banking group (Summit LNG) and from a loan from international

²⁵ World Bank Group, [Bangladesh - RERED II \(English\)](#), accessed on 27/08/2026

²⁶ IEEFA, [Role of distributed resources in energy transition: A multi-country perspective](#), 04/08/2024.

²⁷ Total financial support received by companies listed in the 2025 *Global Oil & Gas Exit List* with LNG expansion plans in Bangladesh. Deals have been extracted from the 2026 *Banking on Climate Chaos* extended dataset and include loans and the underwriting of bond and share issuances between 2021 and 2025. An adjuster reflecting each company's share of LNG-related activities in Bangladesh was applied. All banks mentioned here have been contacted and given the opportunity to respond and verify the data.

development banks and export credit agencies (Moheshkhali).²⁸

Most of these large banks have adopted net-zero commitments, and BNP Paribas and Crédit Agricole claim to have partially excluded financing for LNG export terminals²⁹, suggesting they recognize the climate, financial, and geopolitical risks associated with LNG expansion. Nordea has adopted a leading policy excluding all direct financing to LNG terminals in 2026³⁰ (including import terminals), so could be expected to stay away from this kind of deal in the future.

Banks financing will contribute to shape Bangladesh's energy future

As enablers of the fossil fuel developers' projects, banks will play a decisive role in driving or derailing Bangladesh's energy transition: they can either contribute to locking the country into LNG dependency, risking the development of stranded assets, or accelerate the transition to renewable energy and resilient energy systems.

Therefore, **banks should adopt robust exclusion policies,³¹ lending all financial support for LNG terminals, methane carrier expansion, new gas-fired power plants, and the companies that develop them.**

²⁸ Project-level deals extracted from the *IJ Global database*, including loans and the underwriting of bond and share issuances between 2016 and 2025. Summit LNG was financed through a US\$97 million loan and Moheshkhali FSRU was financed through a US\$126 million loan.

²⁹ More information on the banks' policies on LNG on the [Oil & Gas Policy Tracker](#) and on the [Exit LNG](#) website.

³⁰ Reclaim Finance, [Nordea's new policy stands apart from European banks support for LNG expansion](#), 06/07/2026

³¹ See [Reclaim Finance's detailed recommendations for banks](#)