

## Project Summary Information (PSI)

Project No: 000015

Project Name	Natural Gas Infrastructure and Efficiency Improvement Project (the Project)
Country	People's Republic of Bangladesh
Sector	Energy – natural gas production and transmission
Project No.	000015
Borrower	People's Republic of Bangladesh
Implementation Agencies	Bangladesh Gas Fields Company Limited (BGFCL) and Gas Transmission Company Limited (GTCL)
Environmental and Social Category	Category A
Date of PSI prepared or updated	March 27, 2017
Date of Concept Approval	December 6, 2016
Date of Appraisal Approval	February 13, 2017
Date of Board Approval	March 22, 2017

### I. Introduction

Bangladesh has maintained an impressive track record, growing at 6% annually in the past decade. In 2014, with a population of about 160 million, Bangladesh's gross domestic product (GDP) per capita reached US \$1,087.<sup>1</sup> However, infrastructural deficiencies, particularly shortage of energy supply, continue to act as a major impediment to Bangladesh's developmental efforts in economic growth and poverty reduction. Natural gas is the key indigenous source of energy in Bangladesh, and accounts for almost 75% of the commercial energy and about 65% of electricity generation in the country. Despite its importance, growth in the country's gas supply has not kept up with increasing demand for gas, such as power generation and fertilizer production. Currently, the gas production is 2,700 million cubic feet per day (MMCFD) against gas demand of 3,150 MMCFD, indicating a daily shortage of 450 MMCFD. It was estimated that around 800-1,000 megawatt (MW) generation capacity was not operational due to shortage of gas supply in 2015. The gas supply deficit is expected to further exacerbate in the wake of declining gas reserves and fast-rising gas demand that will eventually impact Bangladesh's energy security and constrain the nation's economic growth.

To combat the gas supply crisis, the government has been pursuing various programs to increase the gas supply, such as: (i) accelerating gas exploration and production. The government established the gas development fund (GDF) in 2012 to support the upstream activities and undertake large scale exploration in onshore and offshore blocks; (ii) increasing gas production from existing gas fields. The government has been trying to lower the abandonment pressure and maintain the gas delivery pressure of existing gas fields by installing wellhead gas compressors; and (iii) gas import. The government has taken steps to diversify the gas supply through imports either by cross-border gas

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<sup>1</sup> World Bank, 2014, World Development Indicators.

transmission pipeline or as liquefied natural gas (LNG). The proposed Project is in line with the government's development plan, particularly the second and third programs mentioned above.

Asian Development Bank (ADB) is the lead financier of the Project. Upon the government's request, the Asian Infrastructure Investment Bank (the Bank) will provide a loan of US \$60 million. For further project details, please see the following ADB's website: <https://www.adb.org/projects/45203-006/main#project-overview>.

## **II. Project Objectives and Expected Results**

The objective of the proposed Project is to improve efficiency in gas production in Titas Gas Field and expand gas transmission pipeline capacity between Chittagong and Bakhrabad. Upon completion, it will help maintain the current level of production at required delivery pressure to the gas transmission network, and overcome the capacity limitation of the existing 24-inch transmission line and complete a full looping of the original trunk gas pipeline, which is crucial for a dependable and reliable gas transmission network, and increase operational flexibility and supply integrity.

## **III. Project Description**

The Project includes two components. Under component 1, seven wellhead compressors (5 operating and 2 stand-by) will be installed in Titas Gas Field. It is to help improve gas production efficiency to maximize recovery from Titas Gas Field. Under component 2, a 181 km, 36-inch gas transmission pipeline will be constructed. The proposed pipeline will constitute a trunk transmission pipeline between Chittagong and Bakhrabad to transport regasified LNG to central and west gas markets.

## **IV. Environmental and Social Category**

The Bank has decided to apply ADB's Safeguard Policy Statement (2009) (ADB SPS) to the Project because: (i) it is consistent with the Bank's Articles of Agreement and materially consistent with the provisions of the Bank's Environmental and Social Policy and relevant Environmental and Social Standards; and (ii) the monitoring procedures that ADB has in place to ascertain compliance with the ADB SPS are appropriate for the Project. Under the ADB SPS, the Project has been assigned Category B for Environment, Category A for Involuntary Resettlement, and Category C for Indigenous Peoples. As required by the Bank's Environmental and Social Framework and Policy, the Project is assigned Category A.

The Environmental and Social safeguard documents have been disclosed and posted on the following website: <https://www.adb.org/projects/45203-006/main#project-documents>.

## **V. Estimated Project Cost and Financing Source**

The Project is estimated to cost \$453.0 million, including taxes, duties, contingencies, and financing charges during construction. ADB's loan and the Bank's loan will be used on a pro-rata basis to finance the cost items. Any shortfall in the funds required would be covered by either the government or implementing agencies.

<b>Sources</b>	<b>Amount (\$ million)</b>	<b>Share of Total (%)</b>
ADB	167.0	37.0
Bank	60.0	13.0
Government	226.0	50.0
<b>Total</b>	<b>453.0</b>	<b>100.0</b>

## **VI. Implementation**

The Project will be implemented within 5 years, between January 1, 2017 and December 31, 2021.

### **Contact Points**

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