Institute for Energy Economics and Financial Analysis

Fact Sheet:

Charting an Electricity Sector Transition Pathway for Bangladesh

Bangladesh should aim for a more ambitious renewable energy capacity target of 40% by 2041. Scaling up renewable energy would reduce overdependence on expensive imported fossil fuels for power generation.

Increasing power generation cost:

The average cost of electricity generation will likely cross double-digits in Bangladeshi Taka (Tk) in FY2022-23 compared to Tk8.84 in FY2021-22.

Rising subsidies:

Bangladesh's power sector subsidy could surpass the US$2.82 billion recorded in FY2021-22.

Easing the subsidy burden:

A faster transition to renewable energy would free up financial resources that otherwise end up as subsidy payments.

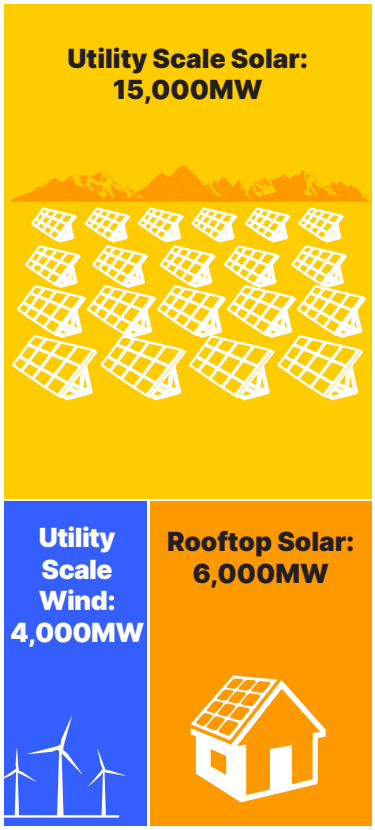
"Bangladesh's electricity generation model appears unsustainable without a clear transition pathway. Policymakers should raise the renewable energy targets and reflect the same in the upcoming Integrated Energy and Power Master Plan (IEPMP).

Shafiqul Alam
Energy Finance Analyst, IEEFA

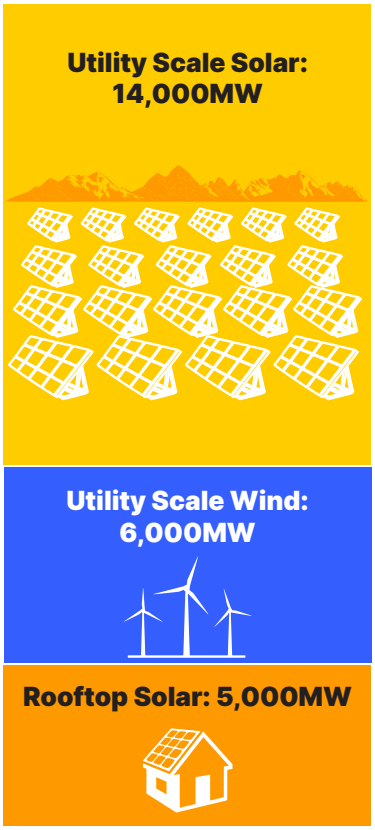
Bangladesh's existing power system can incorporate 1,700-3,400 megawatts (MW) of solar power during the day and 2,500MW-4,000MW of wind power (subject to technical and economic feasibility) at night to reduce the use of costly oil-based electricity.

Estimated investment for Bangladesh to achieve 40% renewable energy capacity target by 2041

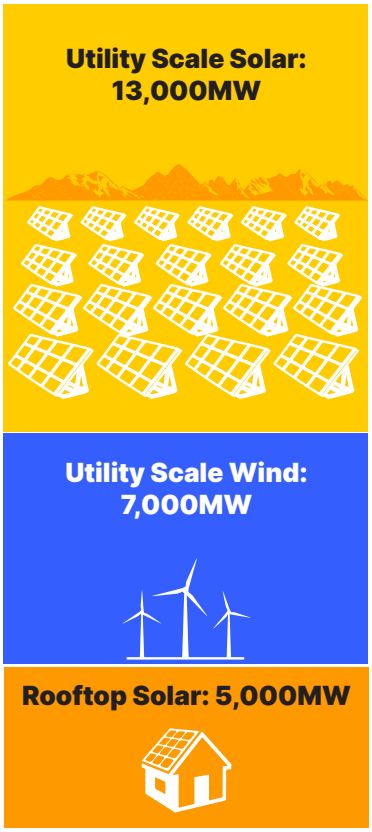
Scenario 1: Investment excluding storage: **US$27.5 billion**



Scenario 2: Investment excluding storage: **US$29.75 billion**



Scenario 3: Investment excluding storage: **US$30.75 billion**



To meet a 40% renewable energy target, Bangladesh needs between US$1.53 billion and US$1.71 billion of annual investment from 2024 through 2041, not including the cost of grid modernisation and storage facilities. This is less than the FY2021-22 power sector subsidy burden.

About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

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