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Energy Efficiency & Conservation-1
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Sub: IEEFA's Comments on the "Draft Renewable Energy Policy 2025"

Thank you for giving the Institute for Energy Economics and Financial Analysis (IEEFA) an opportunity to comment on the Draft Renewable Energy Policy 2025 (DREP).

IEEFA is an independent energy finance think tank that 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.

IEEFA appreciates the Government of Bangladesh for taking this important step to finalise a new renewable energy policy to replace the previous one. This sends a clear signal to local stakeholders and international investors on the country's renewable energy ambition. IEEFA notes that the Government of Bangladesh, through this initiative, has established the urgent need to ramp up renewable energy to enhance the country's energy security, reduce costs, protect the environment and promote sustainable development.

IEEFA acknowledges that the DREP manifests the country's enhanced renewable energy ambition when compared with the 2008 policy. It accounts for a possible import duty waiver for decentralised renewable energy systems, proposes a Sustainable Energy Development Fund for research and human resource development, and keeps open the option of reviewing the policy every three to five years. Among other things, it considers the importance of a time-based roadmap for renewable energy implementation, peer-to-peer trading, open access renewable energy transmission to industry/commercial establishments, and conducting a study to identify suitable land for renewable energy projects.

While the DREP incorporates important policy aspects that are essential for a planned renewable energy expansion, there is scope for improvement.

1. **Incorporating Renewable Energy Policy into Broader Energy and Climate Policies**

The DREP states that it would facilitate the achievement of the goals specified in the existing Integrated Energy and Power Master Plan (IEPMP) and other plans (*Section **1.1***). As the government has shared its intention of revisiting the IEPMP, the renewable energy policy (to be finalised after incorporating stakeholders' feedback) could be an integral part of the revised IEPMP.

Furthermore, the revised Nationally Determined Contributions should reflect the targets of the approved Renewable Energy Policy.

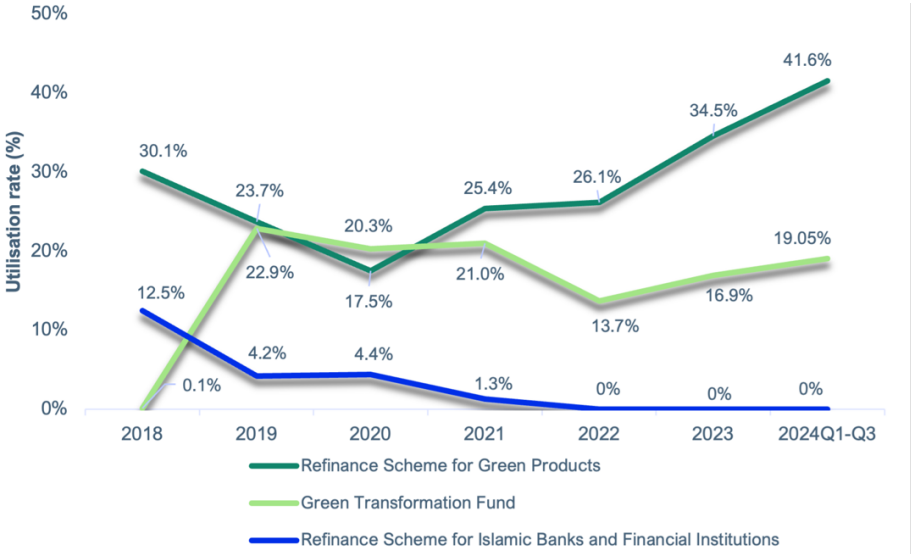
2. Financing Renewable Energy

The DREP incorporates legal and institutional frameworks, pinning responsibility on "the Bangladesh Bank, IDCOL and other financial institutions for bridging the financing gap in developing infrastructure and renewable energy projects in Bangladesh (*Section **4.8***)". Given that most utility-scale projects implemented in the country have used foreign investment and low-cost funds from Multilateral Development Banks, the Bangladesh government can broaden this financing framework to highlight the government's vision of utilising different financing avenues to scale up renewable energy. Additionally, the Securities and Exchange Commission will likely play an important role if a renewable energy project intends to utilise the bond market.

The final Renewable Energy Policy can link the financing mechanism with the Sustainable Finance Taxonomy and Green Finance Taxonomy under the legal and institutional frameworks to help banks and non-bank financial institutions make informed lending decisions. These taxonomies can help attract international investment too.

While the DREP apprises that "Prevailing renewable energy financing shall be expanded that is bankable for accessing public, private, development partners, and carbon markets for more investments (*Section **8.1.1***)", Bangladesh does not have any dedicated renewable energy financing facility. The government could consider developing a renewable energy financing facility under the aegis of Bangladesh Bank. Additionally, the government can work with Bangladesh Bank to make low-cost refinancing schemes more accessible (refinancing scheme for green products of Taka 10 billion, Green Transformation Fund of Taka 50 billion and refinancing scheme of Taka 1.25 billion for Islamic Banks and Financial Institutions). These schemes are attractive for green projects, including renewable energy, but the utilisation rates of these schemes are low (see Figure 1). Furthermore, these funds are only suitable for decentralised small-scale systems, such as rooftop solar, solar irrigation, biogas etc.

Figure 1: Utilisation Rates of Bangladesh Bank's Refinancing Facilities



*Source: Bangladesh Bank; IEEFA's Analysis; * Technology Development Fund is excluded.*

3. **Resource Mapping for Critical Minerals**

Since the Bangladesh government "will promote the manufacturing of solar accessories and may also provide a production-linked incentive (*Section **8.1.9***)", it can consider resource mapping for critical minerals and assessment of the related supply chain to evaluate the extent of dependence on imports and its feasibility.

4. **Developing Capacity of Stakeholders and Institutions (including SREDA), Raising Awareness, and Education**

While the DREP highlights the need for the capacity development of stakeholders and students on renewable energy, it should also consider enhancing SREDA's capacity. This is because SREDA has many responsibilities including devising new guidelines on renewable energy, facilitating research and development, piloting renewable energy projects and establishing testing labs for renewable energy accessories (*Sections **11.1, 11.6, 12.2, 12.5***).

Additionally, the clause "Inclusion of Renewable Energy-related curriculum shall be encouraged in academic institutions, from primary level to universities (*Section **13.2***)" indicates the government's goal to make all students aware of renewable energy. However, considering the time and effort needed to update the curriculum across different levels, the final Renewable Energy Policy could consider renewable energy-related curricula from secondary to university levels. As SREDA occasionally organises awareness-raising events on renewable energy at the primary school level, students can learn more about the theoretical and practical aspects of renewable energy at a later stage.

5. **Guidelines for Reverse Auctions and Battery Energy Storage**

Competition through reverse auctions, along with the falling cost of technology, has played a crucial role in the significant drop in renewable energy tariffs in different countries in the last 10-15 years. While land scarcity and the high cost of land mean that renewable energy tariffs in Bangladesh are unlikely to match those of other countries, properly designed revised auctions can bring down the cost in Bangladesh. Given that the DREP indicates that the government may allocate land for renewable energy projects, based on land study, reverse auctions may be effective in driving down tariffs. The final Renewable Energy Policy could consider incorporating guidelines for reverse auctions.

IEEFA's energy curve analysis showed the potential of utilising renewable energy during the day and evening to reduce expensive oil-fired power generation, supported by a combination of solar and wind power, within the existing system (Charting an electricity sector transition pathway for Bangladesh, 5 April 2023). As utilising wind power is dependent on the feasibility of location and availability of sufficient wind speed, harnessing solar for daytime and battery energy storage (BESS) for the evening will likely reduce energy costs by reducing oil-fired power. Since BESS will also help stabilise the grid, the final Renewable Energy Policy should include the option of preparing guidelines for BESS.

Thanking you,

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