The Power and Energy Sector in the National Budget FY2025-26

Can the Interim Government Meet Expectations?

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Study Team

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Discussion Points

1. Introduction: Expectations to the Interim Government on Energy Transition
2. Challenges in the Power and Energy Sector
3. The Power and Energy Sector in the National Budget 2025-26
4. Renewable Energy in the National Budget FY2025-26
5. Is the Interim Government in Right Track Addressing the Challenges?

1. Introduction: Expectations to the Interim Government on Energy Transition

1. Introduction: Expectations to the Interim Government on Energy Transition

- The interim government has **placed the national budget** for FY2026 on 2 June 2025 which is **approved by the cabinet** on 22 June 2025
  - The title of this year's budget speech is ***Building an Equitable and Sustainable Economic System***
  - One of the major ambitions of Three Zeros: ***Zero Poverty, Zero Emission, Zero Employment***
- Traditionally the power and energy sector is one of the priority sectors in terms of the budgetary allocation
  - The national budget for the Ministry of Power, Energy and Mineral Resources (MoPEMR) remains as usual without any major shift of the focus
- Currently the sector is **facing major challenges** mainly due to the financial crunch
  - **Financial challenges** of the BPDB, PetroBangla and BPC
  - **Fiscal burden** of the Ministry of Power Energy and Mineral Resources
  - **Shortages of gas supply**, emphasis on importing LNG and slow progress in gas exploration
  - **Shortages of electricity** supply and increasing generation capacity
  - **Faulty pricing m**ethod followed for energy pricing
  - **Slow progress in tender** for solar-based power plants, cancellation of LOIs
  - **Payment due** to local and foreign companies and taking costly loans
  - **Slow policy shift** for energy transition
- It is **expected that the budget will address these sectoral challenges** while supporting energy transition by reflecting the fiscal and budgetary measures maintain coherence among the energy transition related policies
- **CPD Power and Energy Study** has undertaken this study with two broad objectives
  - To analyse whether the Interim Government in right track addressing the sectoral challenges
  - To find out whether the budget adequately put focus on its political commitment of meeting the "3 Zero" targets

2. Challenges in the Power and Energy Sector

2.1 Financial Challenges of the BPDB, PetroBangla and BPC

- The **BPDB continues to stay in red** in FY24-25 and even forecasted to be in loss in FY25-26 (table 1)
  - The continuous upward tariff revision and subsidy allocation could not decrease the increasing loss of BPDB
- Both **PetroBangla and BPC** have been making profit
  - BPC has made a total profit of Tk.2050 crore in FY24-25 (table 1)
  - It is forecasted that the profit of BPC will be decreased to Tk.615 crore in the upcoming fiscal year
  - **Such hefty profit** has been made mainly by upward revising the fuel oil price under the automated pricing system
- Similarly, the **BAPEX and RPGCL are also in profit**
  - The profit of these institutions is further **forecasted to rise** given the VAT exemption in LNG import and gas tariff hike

National budget for FY2026 ought to reflect on the way out from the financial challenges of the state-owned authorities

Table 1: Financial situation of State-owned Authorities (crore taka)

	BFY2025-26	RBFY2024-25	BFY2024-25	FY2023-24
PetroBangla				
Net Profit/Loss	**316**	**329**	**277**	**478**
Dividends payable to Government Exchequer	300	300	300	426
Total Contribution Payable to Government Exchequer	397	410	409	497
Investment in Fixed Asset	309	103	321	6.8
BPDB				
Net Profit/Loss	**-9043**	**-8803**	**-7105**	**-8486**
Dividends payable to Government Exchequer	0	0	0	0
Total Contribution Payable to Government Exchequer	5753	5410	5189	3533
Investment in Fixed Asset	0	0	0	0
BPC				
Net Profit/Loss	**615**	**2050**	**-5563**	**3943**
Dividends payable to Government Exchequer	350	300	300	300
Total Contribution Payable to Government Exchequer	14922	13260	13607	14948
Investment in Fixed Asset	0	0	0	0
BAPEX				
Net Profit/Loss	**258**	**137**	**142**	**272**
Dividends payable to Government Exchequer	0	0	0	0
Total Contribution Payable to Government Exchequer	512	370	0	453
Investment in Fixed Asset	0	0	0	0
RPGCL				
Net Profit/Loss	49	41	62	65
Dividends payable to Government Exchequer	3	3	0	3
Total Contribution Payable to Government Exchequer	20	17	0	26
Investment in Fixed Asset	0	0	0	0

2.2 Fiscal Burden of the Ministry of Power, Energy and Mineral Resources

- Government's **net external borrowings of Tk.1.09 trillion** in FY2025 is mainly because of the **sectoral fiscal burden** of the power and energy sector
- The interim government has **cleared a major part of energy import dues** of around $1.17 billion
  - Of the total, US$600 million was owed to LNG suppliers and IOCs and the remaining US$570 million was owed to oil suppliers
- **BPDB** still has an **outstanding bill** around Tk 7,000 crore to privately-owned furnace oil-fired power plants, which will be paid by using the subsidy
- The Power Division has requested the finance **ministry to convert a Tk.56,600 crore debt into subsidy**
  - BPDB has **incurred this loss from purchasing electricity** at high prices from private rental, quick rental, and IPPs
  - **Half of the national subsidy** payment and incentives is allocated for power and energy sector
  - Power sector received the allocation of **Tk 37,000 crore (41% of the total subsidy)**
  - Subsidy allocation of **Tk 9,000 crore** (10% of total subsidy) in LNG import is proposed in FY26 (table 2)
- Adani is **claiming nearly $600 million in unpaid bills**, although **BPDB estimates** the figure to be close to $500 million

Table 2: Subsidy Burden of the Ministry (Crore Taka)

	Power	LNG
FY22	12,000	6,000
FY23	23,000	6,000
FY24	35,000	6,000
FY25	62,000	6,000
FY26	37,000	9,000

Source: MTMPS FY25-26

National budget for FY2026 ought to chalk out a plan on how the ministry will be able to end subsidy and pay all the dues of domestic and international power plants

2.3 Shortages of Gas Supply, Putting Emphasis on Importing LNG and Slow Progress in Gas Exploration

- With depleting domestic reserve of natural gas, there is a considerable **rise of unmet demand for natural gas** (Tab. 9)
  - The unmet demand has been increasing 7.69% in FY19 to **18.5% in FY24 (table 3)**
- This unmet demand has been partly met by **increasing import of LNG**
  - Its import has been increasing – from 0.12tcf in FY19 to 0.17 tcf in FY24
  - However, the imported LNG met **18.5%** total demand increased from 7.69% in FY19
  - It is **projected that 75% of gas supply** is projected to come from LNG by 2030
- Unfortunately, the government **put less effort to explore** more gas
  - Instead, **there is a tendency to import LNG** at a high cost

- Not to mention the resources such as the **Gas Development Fund (GDF)** remains unutilised, even **sometimes used for clearing LNG import** bills
  - **35% of the fund was used to import LNG, while the rest 65%** remained unutilised
- The **government is trying to attract** investment in domestic gas exploration
  - However, **it couldn't attract** any bidder even after multiple attempts

Table 3: Domestic Production, Demand for Gas and Imported LNG

FY	Domestic Production (TCF)	Total Consumption (TCF)	% of Demand unmet with only natural gas reserve (Met by importing LNG)	R-LNG Supply (TCF)
2018-19	0.96	1.04	-7.69	0.12
2019-20	0.89	0.99	-10.6	0.2
2020-21	0.88	1.02	-13.26	0.22
2021-22	0.84	1	-16	0.26
2022-23	0.80	0.93	-14%	0.2
2023-24	0.75	0.92	**-18.5%**	**0.17**

Source: Authors' Estimation from Bangladesh Economic Review

The budget FY2026 ought to emphasis on ensuring gas supply through domestic gas allocation and gas development projects

2.4 Shortages of Electricity Supply Against Increasing Generation Capacity

- Mounting power generation capacity of 30,780 MW (both on-grid and off grid) has been a growing concern for the sector (fig 1)
    - **About 96% of this capacity is dependent** on fossil fuel
    - **Share of coal and LNG in** power generation has increased, will continue to increase given the inability to generate electricity from oil-based power plants
    - **Rise of reserve margin** has been constantly questioning the accuracy of the demand forecast made in the IEPMP (fig 2)
    - Not to add, **the recent load shedding** and power outage has raise questions regarding the **double whammy of the sector**
    - **Frequent power outage** are mainly whether the aftermath of grid failure (Dhaka, Mymensingh) or the inability to import fossil fuel to run the power plants at their full capacity (fig 3)

The budget ought not to accelerate the generation capacity rather should propose measures to ensure uninterrupted supply of electricity

Figure 2: Rise of Reserve Margin

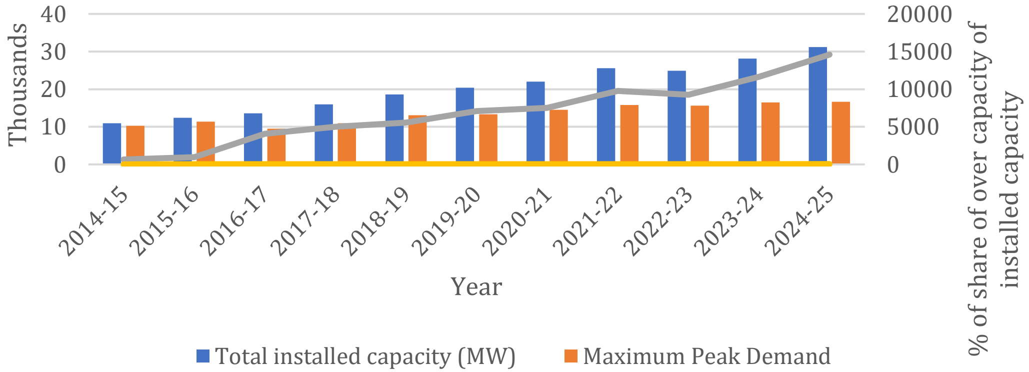


Figure 1 : Trend in Power Generation: FY2015-FY2026

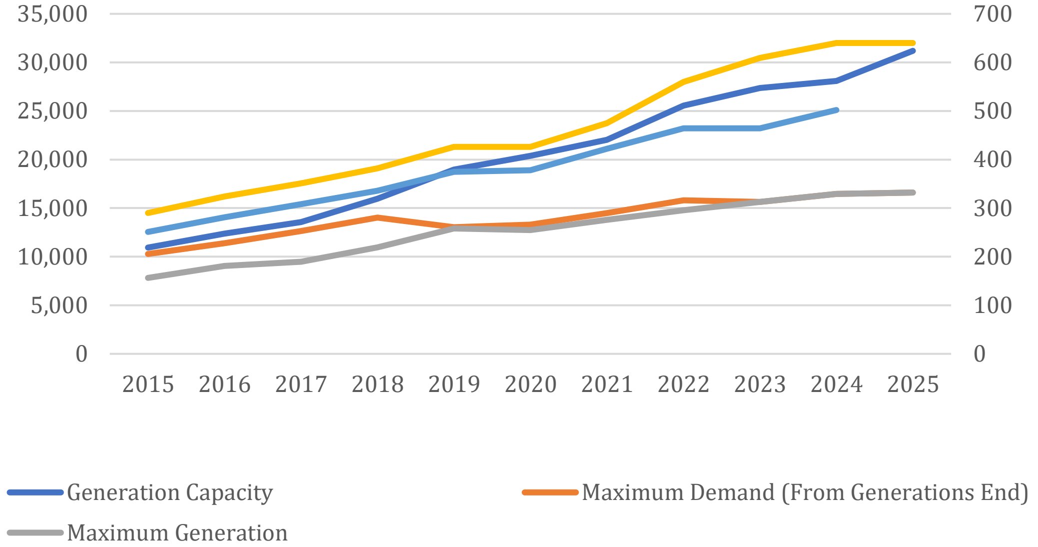
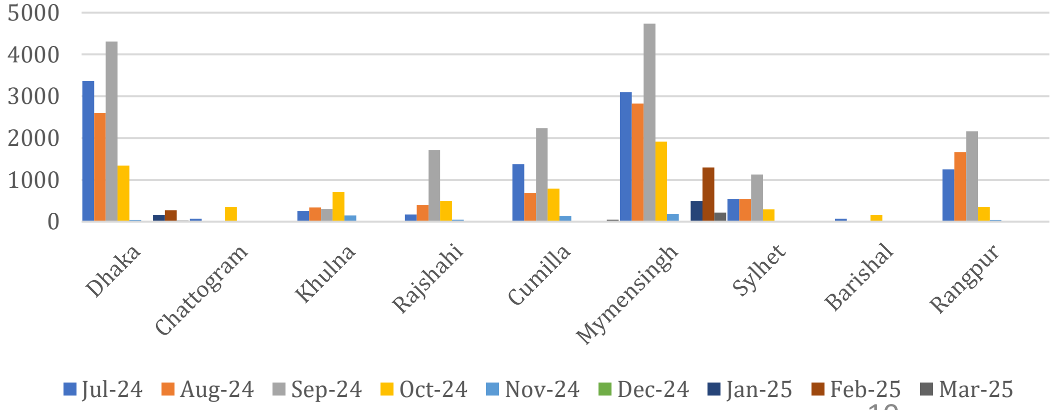


Figure 3: Monthly Average Loadshed at Evening Peak (MW) by Zone



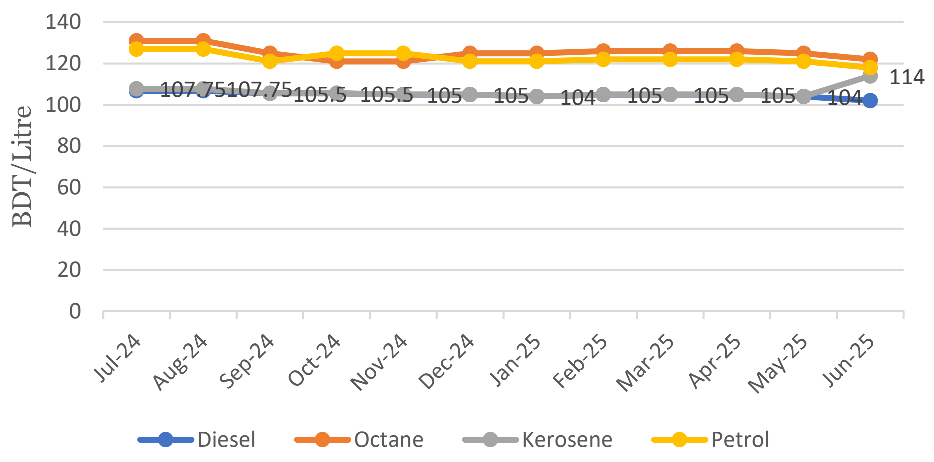
Source: BPDB and PGCB

2.5 Faulty Pricing Method Followed for Energy Pricing

Fuel Oil

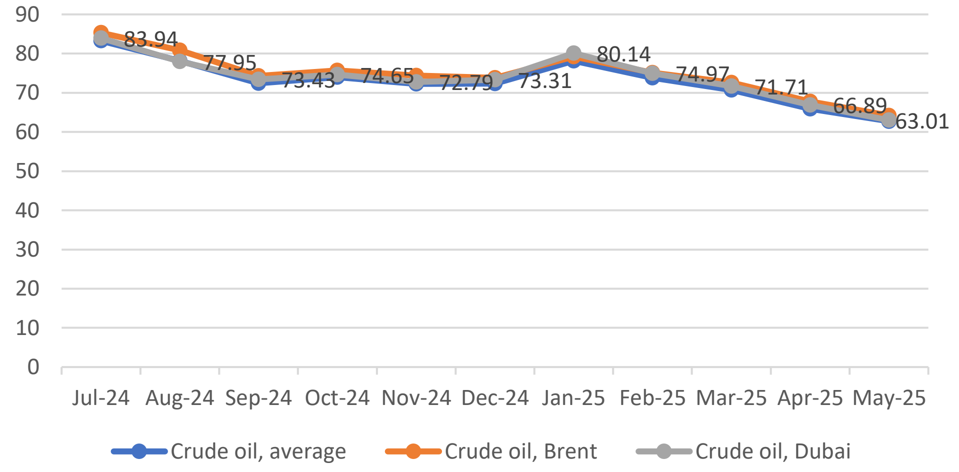
- The **transition from an administered** to a market-based fuel pricing system in Bangladesh, initiated in March 2024, **marks a significant step** towards reducing fiscal burdens and aligning domestic fuel prices with international markets
    - After that ministry is **setting the tariff on a monthly basis** (Figure 4)
- However, the domestic tariff does not reflect rightful alignment with the global price
    - A declining trend from January 2025 can be observed (Figure 5)
    - In contrast, the domestic oil price remains more or less constant (Figure 4)
- Actually, the existing pricing mechanisms formulated by the Bangladesh Petroleum Corporation (BPC) and the Bangladesh Energy Regulatory Commission (BERC) **exhibit critical shortcomings**
    - These include excessive **multi-layered taxation**, a lack of **transparency**, an **unjustified margin structure**, and an import pricing methodology that renders the economy vulnerable to external shocks
- The BPC formula, in particular, imposes **opaque cost layers** and an inflated margin structure
    - **Contradicting global best practices** in competitive energy pricing
- While **BERC's approach** simplifies certain tax components, it remains **heavily reliant on the face-value import Free on Board (FOB) price**, making it highly susceptible to exchange rate volatility

Figure 4: Domestic Fuel Oil Price Trend FY 2024-25



Source: World Bank Pink Sheet

Figure 5: Oil price in global market



Source: BPC Gazettes

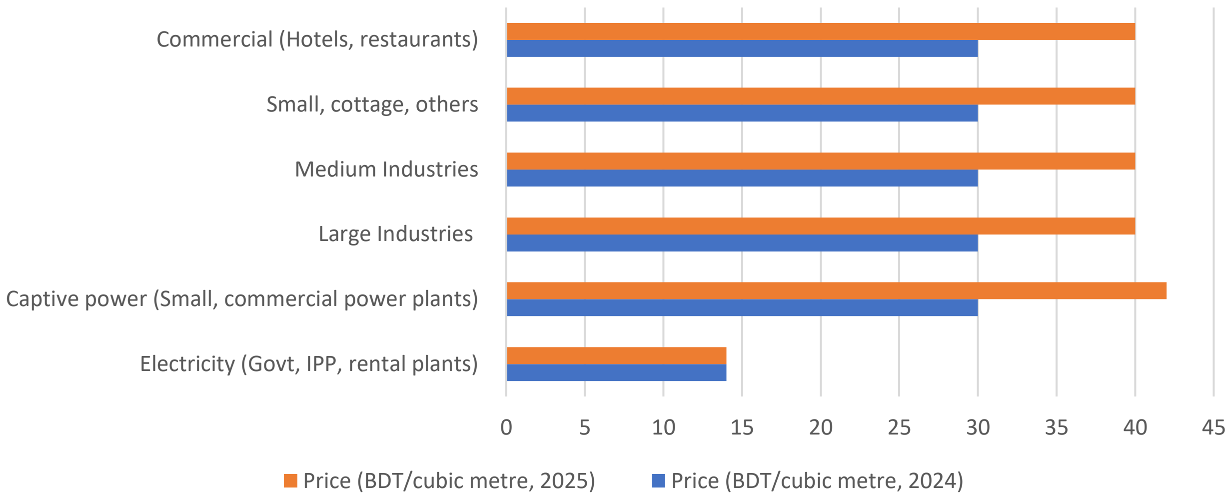
2.5 Faulty Pricing Method Followed for Energy Pricing

Gas

- Through the BERC public hearing the gas price has been increased (figure 6)
- The tariff in captive power (Small, commercial power plants) has been increased by 40%
- Incase of industrial and commercial sector 33% gas tariff has been observed
- The increased gas tariff will cause inflation by driving the cost of production

The budget ought to address the fault in the energy pricing methodology and aspire to reflect the market pricing in the domestic market

Figure 6: Sector-wise Gas Price in 2025 (BDT/cubic meter)



2.6 Slow Progress in Tender for Solar-based Power Plants, Cancellation of LOIs

- BPDB has been **struggling to attract bidders** for 55 grid based solar power plants with the capacity of **5238 MW** even after floating the tender twice
- **Four tender packages** floated from Dec 2024 to Mar 2025 for 55 solar sites
  - First phase tender **got weak response**, 2nd phase also got only 21 bids for 10 plants after selling 46 bid documents
  - Tender submission **deadline extended five tim**es due to weak bidder response
- The **reasons** behind such low interest in tender submission is
  - Policy incoherence
  - LoI cancellation of 37 renewable energy power plants
- As a result, the businessmen and investors are **not confident about investing** in renewable energy sector of Bangladesh
- The **grid integration** of renewable energy-based power plants also demonstrate the **slow progress** in renewable energy (Table 4)

National budget ought to be a pro-renewable energy budget ensuring enough allocation and incentives for renewable energy generation and grid integration

Table 4: Status of RE integration into the grid

Progress Status	Number of Power Plants in Q4 of FY24	Number of Power Plants in Q1 of FY25	Number of Power Plants in Q2 of FY25	Number of Power Plants in Q3 of FY25
Fully Operational on Time	0	0	2	1
Fully Operational but Delayed	1	2	1	0
Partially Operational but on Time	0	0	0	0
Partially Operational but Delayed	0	1	2	1
Delayed	7	9	7	8
Construction Started	2	3	0	3
Projects Approved	0	0	0	0

Source: CPD Quarterly Brief

2.7 Payment due to Local and Foreign Companies and Taking Costly Loans to Pay the Dues

- Government has **already paid most of the outstanding loans** and borrowings specially the energy import dues
    - However, government **still has to pay the domestic IPPs and Adani** Power it's remaining electricity bills
- In the upcoming fiscal year, government **plans gradually reducing reliance on external borrowing** to finance budget deficits as rising cost of foreign loans makes the government inward-bound for pooling higher domestic funds
    - The objective of this switch in to ensure **a more balanced and sustainable financing mix** while managing risks associated with interest- rate volatility and foreign-exchange exposure
    - These domestic sources include bank borrowings, nonbank sources such as national savings certificates (NSCs)
- Bangladesh and the **International Islamic Trade Finance Corporation (ITFC)** has signed a **financing plan** for US$2.75 billion to support the country's energy and agriculture sectors for the period from July 2025 to June 2026
    - The financing plan will facilitate the **importation of petroleum products and LNG** by BPC, and Petrobangla
    - The problem with such type of loans is, they come with a hefty interest tag along with a short repayment period

The budget FY2026 ought to have a plan to fully pay the due of local and foreign companies from a sustainable source

2.8 Slow Policy Shift for Energy Transition

- The **interim government** of Bangladesh **aspire to shift** from fossil fuels to renewable energy, aiming for a green and sustainable power and energy sector
    - Keeping the objective in mind, the government has been **revisiting and revising the key policies**, plans, acts and rules
- Right after taking over the office the **energy advisor has repealed** the Quick Enhancement of Energy and Power Act 2010, amended the BERC Act 2023 and revised the Draft Renewable Energy Policy 2025
    - Major plans such as Integrated Energy and Power Master Plan, Perspective Plan and Mujib Climate Prosperity Plan (MCPP) **are said to be under review** for necessary revisions
    - Such major plans and policies set **ambitious RE goals** with little to no coherence among themselves
- The policy revisions and **review have been taking longer time period** than required
- Specially the **IEPMP**, as it is the master planning document, the **delayed revision** is causing **more coherence issues** with other policies

Clear policy directives ought to be present in the budget speech and documents to attain the energy transition goal of 2041

2.9 From '3 Zeros' to '2.5 Zeros'

- The **energy transition goals** of Bangladesh under the interim government has been **backtracked**
  - The **continuous over- emphasis** on the fossil fuel- based power generation specially LNG and newly profound importance on the coal extraction is increasing the concerns related to energy transition goals
  - **MoU agreement** between the Bangladesh and USA regarding LNG import only dictates the persisting prioratisation of fossil fuel
  - **Fiscal incentives** provided to oil and LNG by exempting VAT and Tax signals government's lack of promptness in energy transition
- **Series of operational decisions** taken by the government is also **causing reverse renewable** energy transition pathway
  - Such as cancellation of 37 LoIs resulting in almost zero interest in the 55-grid based renewable energy power plant
- Although a **firm commitment was shown** in the beginning of the regime, the execution of those commitments **faded away with time**
  - 3 Zeros seems to become 2.5 Zeros

The whole budget ought to be aligned with the political commitment of 3 Zeros and should have sufficient measure to pull back the power and energy sector in the track of Zero Emission

3. The Power and Energy Sector in the National Budget 2025-26

3.1 The Power and Energy Sector in the National Budget 2025-26: Overview

- The Ministry of Power, Energy and Mineral Resources (MoPEMR) has received a **significant allocation** in the national budget for FY2026 following the previous historical trend
  - However, the allocation has been decreased compared to budget FY2025
  - Over the past decade, the budgetary allocation for this sector has shown a linear upward trend (Figure 8)

- For FY2025-26, the Power and Energy sector received an allocation of BDT 22,520 crore (**decrease of 0.8 % from RFY2025**) (Fig. 7)
  - This allocation accounts for **2.9% of the FY2026** total budget, which is lower than that of FY25 revised budget (**RFY2025: 3.1%**) (fig 8)
  - The operating budget for FY26 have increased compared to the revised budget for FY25 by 15.38 % and the development budget decreased by 0.91%
  - A budget cut of 23.9% can be observed in the ADP of Power and Energy sector

Figure 7: Power and Energy Sector Budget Over the Years

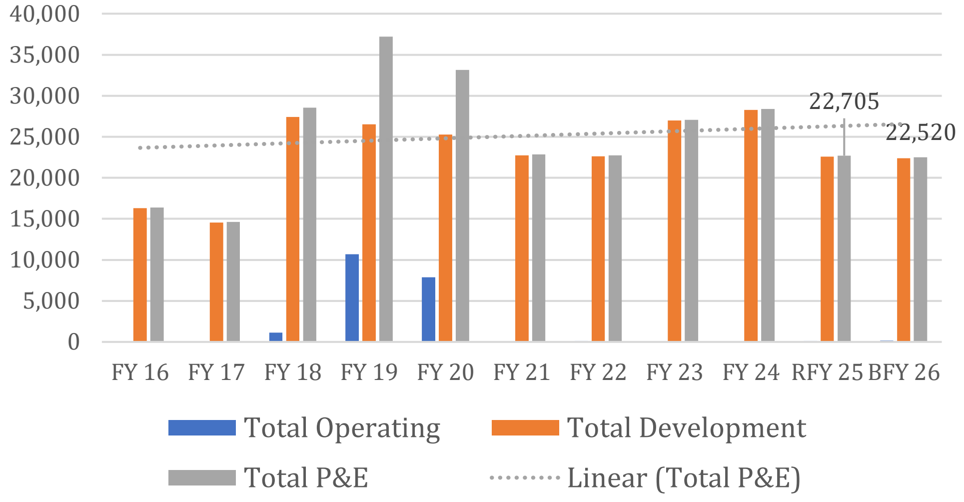
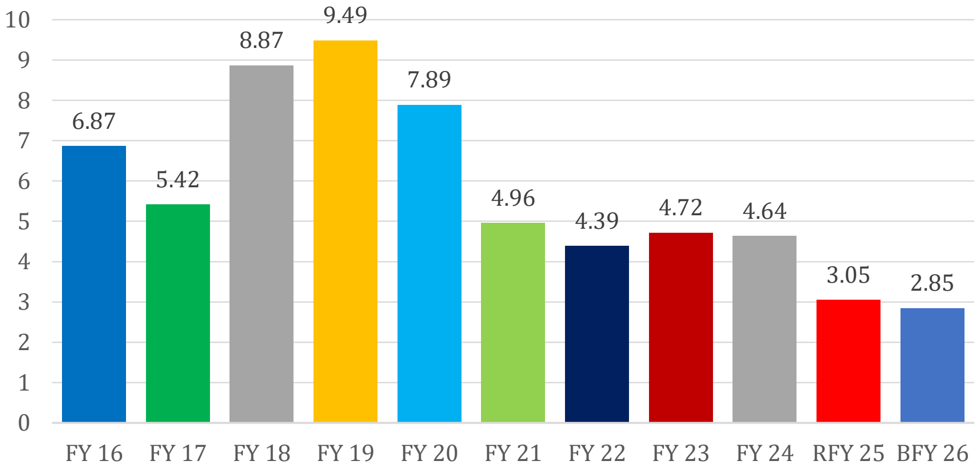


Figure 8: Share of Power and Energy in the National Budget (% of the total budget)



Source: Budget Docs, MoF

3.2 The Power and Energy Sector in the National Budget 2025-26: Budget for the Power Division

- In FY2026, the Power Division received an allocation of **BDT 20,342 crore** (decreased of 6.1% from RFY25)
- Power Division is curiously receiving a higher allocation under **operating budget (30%)** due to increased recurrent expenditure on services, honorariums, project transfers, and reserves
  - A comparative **reduced allocation (6%)** is also observed in development budget from RFY25 (figure 10)
- The number of **Power Division ADP projects has decreased from 53 to 40**
  - Number of 'continuing' projects decreased as well as the number of 'concluding' projects
  - **However, increasing number of 'carry-over' projects** is a concerning issue as it indicates inefficiency and a lack of proper and required allotment in the power sector

Fig. 9: Budget Allocation for Power Division (Crore Tk)

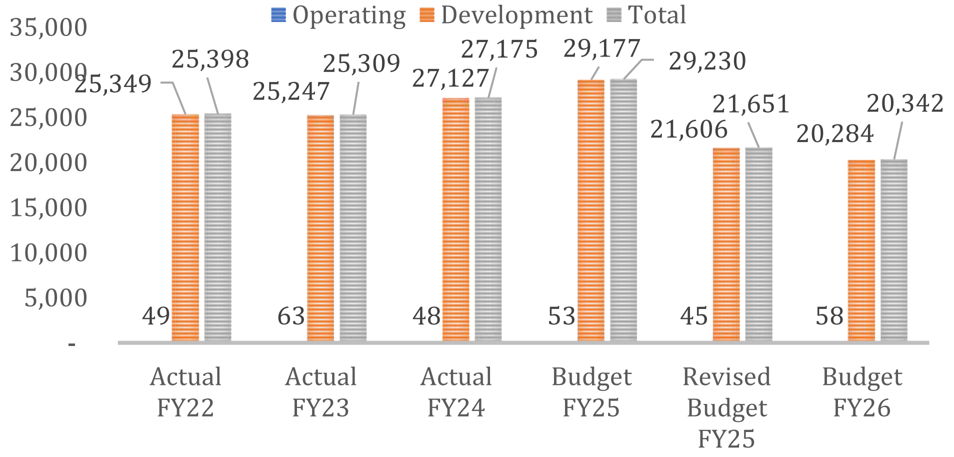
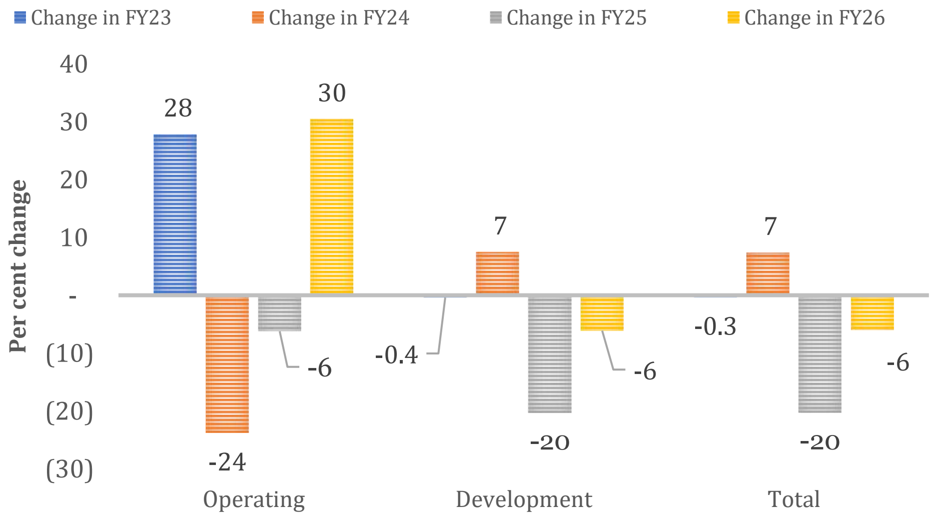


Figure 10: Change in Allocation (%)



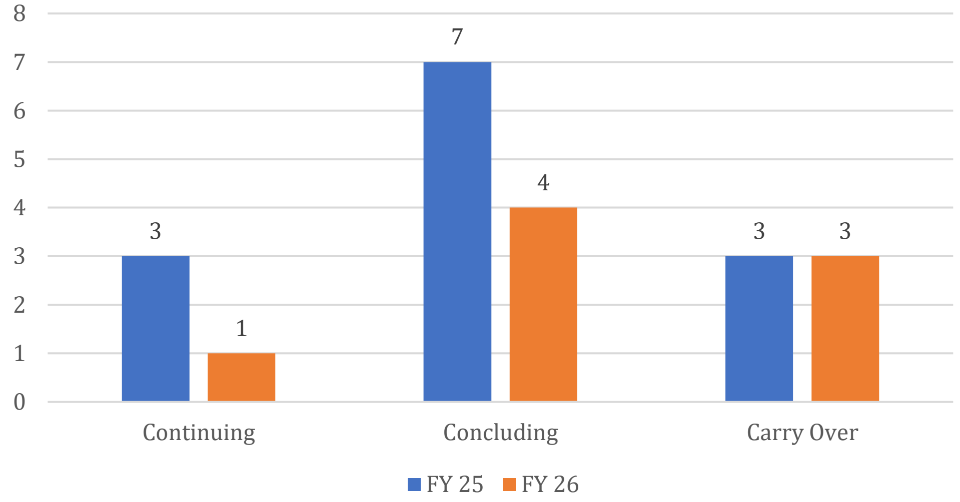
Source: ADP FY26, MoF

3.2 The Power and Energy Sector in the National Budget 2025-26: Budget for the Power Division

3.2.1 Generation

- In FY2026, there are total **8 generation related projects**
  - Of these, 3 are carry-over projects, 4 are concluding and 1 are continuing projects
  - It is appreciated that not only the number of generation related projects decreased but also the number of continuing projects decreased (from 3 to 1)
- It is also positive that **no new generation-based projects** have been approved for FY26
- The concluding projects with higher implementation rate ought to be prioratised in terms of allocation as some extra allocation will help implement the project without any extension

Figure 11: Generation project in FY25 and FY 26



Source: ADP FY26, MoF

- Also, "**Rooppur Nuclear Power Plant Project**" needs special reconsideration since the completion rate is 82.7% with this year allocation but it is already a **carry-over project**
- **Only one renewable energy generation project** "Construction of 100 MW Solar Power Plant at Madarganj, Jamalpur District" is expected to be concluding but its **completion rate is 97.5%,** require bit concern of reallocation

3.2 The Power and Energy Sector in the National Budget 2025-26: Budget for the Power Division

3.2.1 Generation

Table 6: Selected Major Power Generation Projects

Project Name	Max Completation rate by FY26 (%)	Organisation	Status of Project
Rooppur Nuclear Power Plant Project -01/07/2016-30/12/2025	82.7	BAEC	Concluding Project
Ghorashal-3 Repairing Project (2nd Revised) -01/01/2015 - 30/06/2025	88	BPDB	Carry over Project
Saidpur 150 MW +/-10% Simple Cycle (HSD Based) Power Plant Construction (1st Revised)-01/01/2019 - 31/12/2025	97.8	BPDB	Concluding Project
Gas pipeline construction project from Dhanua to Mymensingh for gas supply to Mymensingh Combined Cycle Power Plant -01/07/2022 - 30/06/2025	95	RPCL	Carry over Project
Construction of 100 MW Solar Power Plant at Madarganj, Jamalpur District (1st Revised)-01/09/2021 - 31/08/2025	97.5	RPCL	Concluding Project
Matarbari 2×600 MW Ultra Super Critical Coal Fired Power Project (1st Revised)-01/07/2014 - 31/12/2026	89.9	CPGCBL	Continuing Project
Rupsha 800 MW Combined Cycle Power Plant-01/07/2018 - 30/06/2025	69.2	NWPGCL	Carry over Project

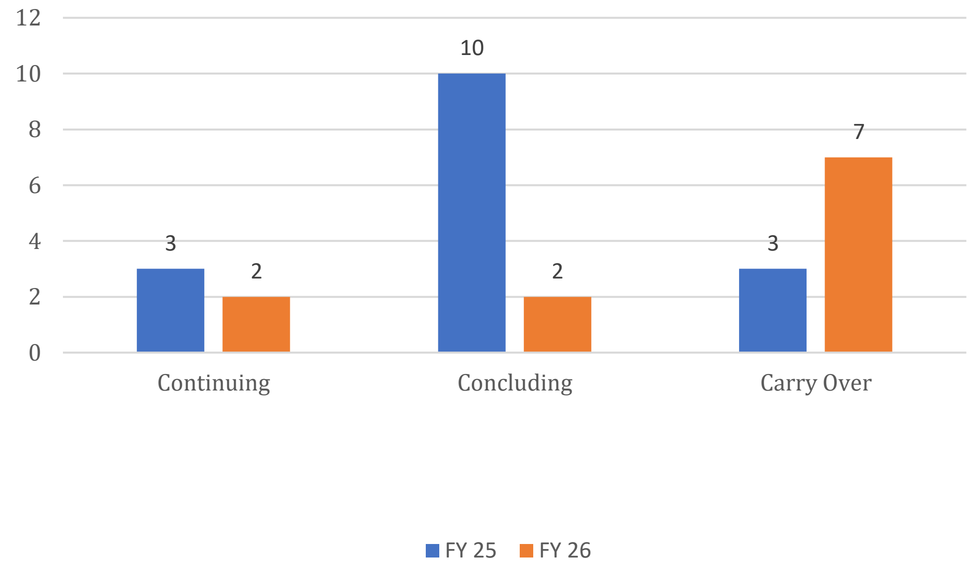
Source: Authors' Calculation ADP FY26, MoF

3.2 The Power and Energy Sector in the National Budget 2025-26: Budget for the Power Division

3.2.2 Transmission

- In FY26, there are **total 11 transmission related projects**
  - Of these, 7 are carry-over projects, 2 are concluding and 2 are continuing projects
  - 4 of the 11 projects are concerned with grid development and 4 are concern with grid expansion
- Compared to FY2025, **number of carry-over projects increased** (from 3 to 7)
  - **Number of concluding projects decreased** (from 10 to 2)
- Many carry over projects **still have low completion rate** which will become carry-over projects in the next year
  - Also, two concluding projects have chances to become carry over projects in the next year
- **More allocation is needed** to quickly implement the transmission related projects whereas, power evacuation project under WZPGCL **remain unallocated** this year
- The project **"Development of transmission infrastructure for evacuation of power generated by Rooppur Nuclear Power"** have 63.7% completion rate, create big concern of evacuating power from RNPP

Figure 12: Transmission project in FY25 and FY 26



Source: ADP FY26, MoF

3.2 The Power and Energy Sector in the National Budget 2025-26: Budget for the Power Division

3.2.2 Transmission

Table 7: Selected Major Power Transmission Projects

Project Name	Max Completation rate by FY26 (%)	Organisation	Status of Project
Capacity enhancement of existing grid substations and transmission lines - 01/09/2021 - 28/02/2025	56.5	PGCB	Carry over Project
Grid-based Power Supply Efficiency Development Project (1st Revised)-01/01/2017 - 30/06/2026	93	PGCB	Concluding Project
Power Grid Network Strengthening Project Under PGB-01/10/2016 - 30/06/2025	66.9	PGCB	Carry over Project
400/230/132 kV Grid Network Development Project (2nd Revised)-01/07/2013 - 31/12/2025	91.6	PGCB	Carry over Project
Eastern Regional Grid Network Expansion and Capacity Building (1st Revised)-01/01/2018 - 30/06/2025	84.4	PGCB	Carry over Project
Development of transmission infrastructure for evacuation of power generated by Rooppur Nuclear Power Plant-01/04/2018 - 31/12/2026	63.7	PGCB	Continueing Project
South-Western Transmission Grid Expansion Project (1st Revised)-01/07/2018 - 31/12/2025	90.4	PGCB	Concluding Project
Expansion and strengthening of electricity transmission system in Chittagong region (1st revised) - 01/07/2019 - 30/06/2025	97.2	PGCB	Carry over Project
Barapukuria-Bogra-Kaliakoir 400 kV Line (2nd Revised)-01/01/2019 - 31/12/2025	68.8	PGCB	Carry over Project
Dhaka and Western Region Grid Transmission System Expansion - 01/10/2019 - 30/06/2025	76.2	PGCB	Carry over Project
Bangabandhu Hi-Tech City in the southern part of Chittagong Division and Kaliakoir Transmission Infrastructure Development Project-01/07/2023 - 30/06/2028	72.5	PGCB	Continuing Project

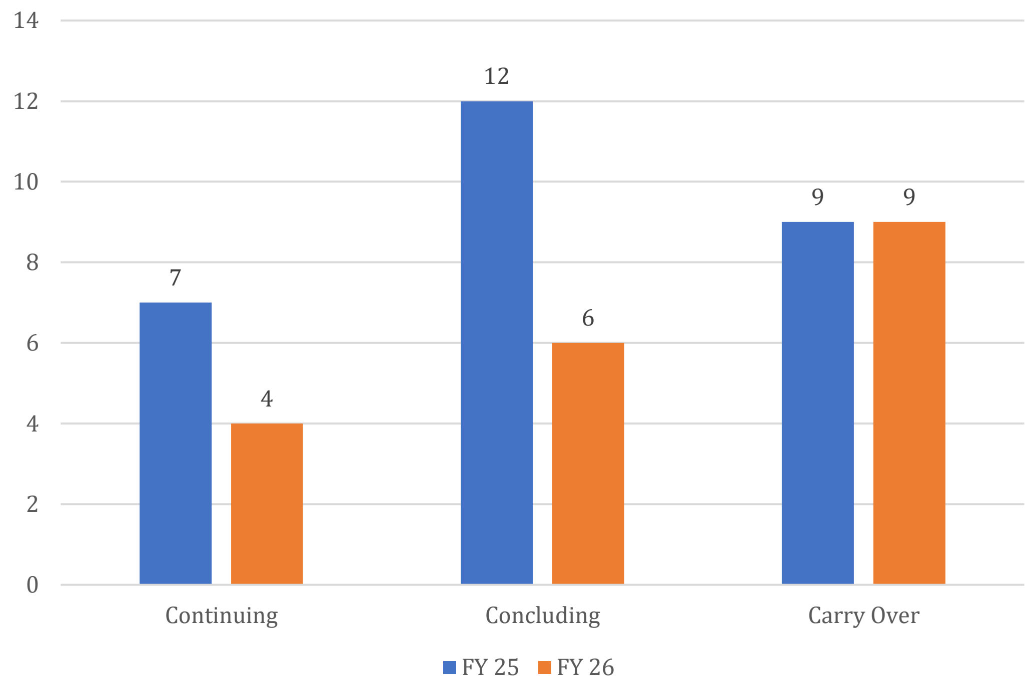
Source: Authors' Calculation ADP FY26, MoF

3.2 The Power and Energy Sector in the National Budget 2025-26: Budget for the Power Division

3.2.3 Distribution

- The number of **distribution related projects has decreased** in the upcoming fiscal year -from 28 to 19
    - Of these, 9 are carry-over projects, 6 are concluding and 4 are continuing projects
    - The number of concluding and continuing projects have decreased
    - 4 projects are related with metering but 2 of them are already carry-over
- The **initiative for meter upgradation is praiseworthy** but **being carry-over creates** a obstacles for modernizing power distribution systems
    - Such as projects like “Modernisation of Power Distribution-Smart Grids Phase 1” expected to conclude by the FY2026, but its completion rate is calculated **as 34.5% only**

Figure 13: Distribution project in FY25 and FY 26



Source: ADP FY26, MoF

- The development of **distribution projects outside of Dhaka** has increased and zonal prioritisation are being given, which is a good sign
    - But projects like “Electrification at Bhasanchar of Noakhali District” completion rate is **only 15.3%**, already a carry over project
    - Unless more allocations are made, the projects could soon be **turned carry-over** by the next fiscal year

3.2 The Power and Energy Sector in the National Budget 2025-26: Budget for the Power Division

3.2.3 Distribution

Table 8: Selected Major Power Distribution Projects

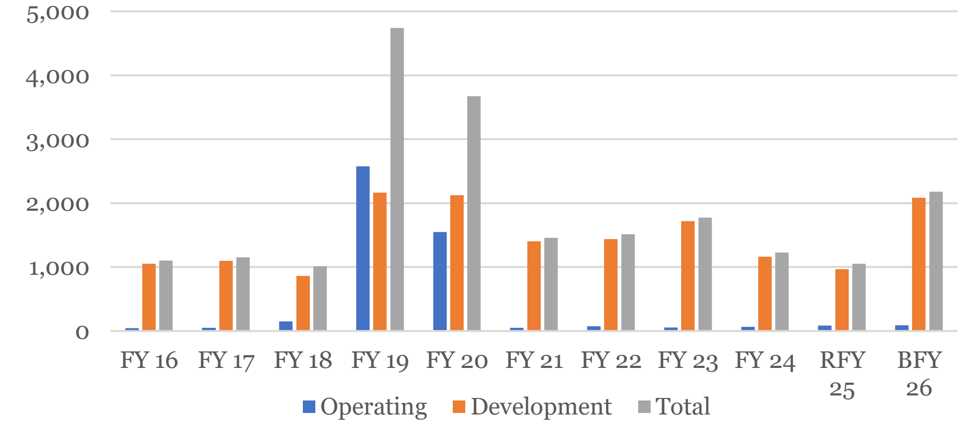
Project Name	Max Completion rate by FY2026 (%)	Organisation	Status of Project
Electricity Distribution System Development Project, Comilla Zone - 01/01/2018 - 30/06/2025	94	BPDB	Carry over Project
Power Distribution System Development Project, Mymensingh Zone (1st Revised) - 01/01/2018 - 31/12/2025	91.3	BPDB	Concluding Project
Electrification at Bhasanchar of Noakhali District - 01/07/2024 - 30/06/2025	15.3	BPDB	Carry over Project
Agricultural Irrigation through Solar Powered Pumps (2nd Revised)-01/07/2018 - 31/12/2025	62	BREB	Carry over Project
Renovation and Modernization of Existing 33/11 KV Pole Mounted Substation of BAPBIBO (Phase-1) - 01/07/2022 - 30/06/2026	37.7	BREB	Concluding Project
Smart Pre-payment Metering Project for West Zone Power Distribution Company Ltd. (OZOPDICO) Area (Phase 2) - 01/11/2023 - 30/04/2027	20.5	WZPDCL	Continuing Project
Modernization of Power Distribution-Smart Grids Phase 1-01/07/2022 - 31/12/2026	34.5	WZPDCL	Concluding Project
Power Distribution System Development Project in the Areas Under the Control of DPDC (1st Revised)- 01/01/2019 - 30/06/2025	84.4	DPDC	Carry over Project
Project for installation of eight lakh fifty thousand smart pre-payment meters in the areas under the jurisdiction of DPDC (1st revised) - 01/07/2018 - 31/12/2025	92.6	DPDC	Concluding Project
Expansion and Strengthening of Power System Network under DPDC Area (1st Revised)-01/01/2017 - 25/11/2026	85.9	DPDC	Continuing Project
Smart Distribution System Implementation Project in NESCO Area - 01/07/2022 - 30/06/2025	68.7	NESCO	Carry over Project
Installation of smart pre-payment meters in areas under NESCO in Rajshahi and Rangpur divisions- 01/07/2022 - 30/06/2025	92.2	NESCO	Carry over Project

Source: Authors' Calculation ADP FY26, MoF

3.3 Power and Energy Sector in the National Budget 2025-26: Budget for Energy and Mineral Resource Division

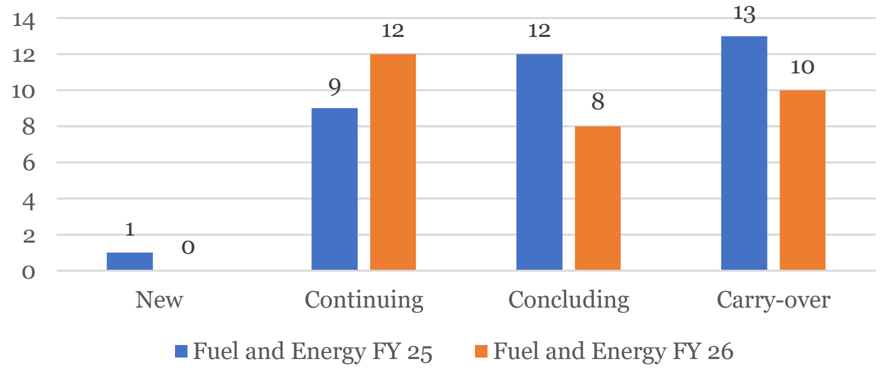
- In FY2026, the Energy Sector received an allocation of BDT 2,178 crore (increase of 107% from RFY25 (RFY2025)
    - This accounts **for 0.27%** of the total FY26 budget, higher than that of revised FY25 budget (RFY25: **0.14%**) (fig. 14)
    - Even though the **operating budget increased by 8.24%**, the development budget saw a staggering 115.5 per cent increase
- The number of **projects has decreased from 35 to 30**
    - Number of 'carry-over' projects decreased as well as the number of 'concluding' projects (fig. 15)
    - **High number of 'carry-over' and 'concluding' projects** is a concerning issue as it indicates inefficiency and a lack of proper and required allotment in the energy sector
- **New projects** have been undertaken concerning **drilling wells**
- This is appreciated as it focuses on local gas exploration

Figure 14: Budget of the Energy and Mineral Resources Division Over the Years



Source: Budget in Brief, Ministry of Finance

Figure 15: Fuel and Energy Project in FY2025 and FY2026



Source: Author's Calculation from ADP FY2026

3.3 Power and Energy Sector in the National Budget 2025-26: Budget for Energy and Mineral Resource Division

3.3.1 Gas

- A total of **21 gas ADP projects have been approved** for FY26 including exploration, production, transmission and distribution of domestic gas
  - Two of the exploration **projects of seismic survey are almost finished;** however, has been enlisted as carried over projects (Table 9)
  - These projects **should be completed** on a priority basis

Table 9: Selected Gas Development Projects

Name of the Project	Type	Maximum Completion Rate	Organisation	Project Status
Bakhrabad-Meghnaghat-Haripur Gas Transmission Pipeline Construction Project (1st Revised)	Transmission	97.3 %	PetroBangla	Concluding
Gas Station Establishment and Modification Project at Off-Transmission Point of GTCL (1st Revised)	Transmission	96.2 %	PetroBangla	Concluding
Consultancy services for the preparation of Bangladesh Gas Pipeline Network Master Plan (GPNMP)	Transmission	96.1%	PetroBangla	Concluding
Installation of Smart Prepaid Gas Meters, SCADA and GIS in PGCL affiliated areas	Distribution	12.8 %	PetroBangla	Continuing
Smart Metering Energy Efficiency Improvement Project [Installation of Prepaid Gas Meter for TGTDCL]	Distribution	23.1 %	PetroBangla	Continuing
Gas Sector Efficiency Improvement and Carbon Abatement Project [Installation of Smart Prepaid Gas Meter for TGTDCL]	Distribution	8.4 %	PetroBangla	Continuing
Installation of Pre-paid Gas Meters for Residential Customers of KGDCL (1st Revised)	Distribution	82.6 %	PetroBangla	Carry over
3D Seismic Survey in the Open Area of Acreage Block-13 and 14 (1st Revised)	Exploration	95.2 %	PetroBangla	Carry over
2D Seismic Survey Over Exploration Block- 6B South End 10	Exploration	97.4 %	PetroBangla	Carry over
2D Seismic Survey Over Exploration Blocks 7 & 9	Exploration	37.6 %	PetroBangla	Continuing

Source: Authors' Calculation ADP FY26, MoF

3.3 Power and Energy Sector in the National Budget 2025-26: Budget for Energy and Mineral Resource Division

3.3.1 Gas

Table 9: Selected Gas Development Projects (cont.)

Name of the Project	Type	Maximum Completion Rate	Organisation	Project Status
7 well workovers in Titas, Habiganj, Bakhrabad and Meghna fields	Production	66.9%	PetroBangla	Concluding
Sylhet-10 Well (Exploration Well) Drilling (1st Revised)	Production	97.8%	PetroBangla	Carry over
Drilling of 4 appraisal-cum-development wells in Titas and Kamta fields	Production	17.3 %	PetroBangla	Continuing
Drilling of 2 appraisal and development wells (Sundalpur-4 and Srikail-5) and 2 exploration wells (Sundalpur South-1 and Jamalpur-1)	Production	78.4 %	PetroBangla	Continuing
Procurement and Installation of Wellhead Compressor for Srikail Gas Field (1st Revised)	Production	94.9 %	PetroBangla	Concluding
Installation of Wellhead Compressors at Location-E and G of Titas Gas Field	Production	95.4 5	PetroBangla	Carry over
Procurement and Installation of 60 MMSCFD Capacity Process Plant for Bhola North Gas Field Project	Production	22.2 %	PetroBangla	Continuing
Drilling of Sylhet-11 (Development Well) and Rashidpur-13 Well (Exploration Well)	Production	9.4 %	PetroBangla	Concluding
Kailashtila-1, Rashidpur-3 and Beanibazar-2 well workover	Production	54.3 %	PetroBangla	Concluding
Rashidpur-11 Well (Exploration Well) Drilling	Production	31 %	PetroBangla	Concluding
Drilling of Dupitila-1 and Kailashtila-9 wells (exploration wells)	Production	26.1 %	PetroBangla	Continuing

Source: Authors' Calculation ADP FY26, MoF

3.3 Power and Energy Sector in the National Budget 2025-26: Budget for Energy and Mineral Resource Division

3.3.2 LNG

- **Two LNG related** projects have been given allocation for the FY26
  - Both the project are for **LNG FSRUs**
  - **In-land LNG FSRU** is a concluding project with 81% maximum completion rate

Table 10: Selected LNG Development Projects

Name of the Project	Maximum Completion Rate	Organisation	Project Status
Technical and Economic Feasibility Study, Engineering and Tender Management Services for the Construction of Land-Based LNG Terminal at Matarbari, Cox's Bazar (2nd Revised)	81.1%	PetroBangla	Concluding
Procurement of an Individual Legal Consultant for LNG Terminal Development, LNG Import and Other LNG Activities (1st Revised)	91.8%	PetroBangla	Continuing

Source: Authors' Calculation ADP FY26, MoF

3.3 Power and Energy Sector in the National Budget 2025-26: Budget for Energy and Mineral Resource Division

3.3.3 Oil

- A total of 4 ADPs have been given allocation in the budget FY2026
  - Of which **3 transmission projects** are carry over projects (Table 11)
  - The projects with high **maximum completion rate** should be prioratised as it has the potential to be completed

Table 11: Rate of Implementation of Oil related Projects

Name of the Project	Type	Maximum Completion Rate	Organisation	Project Status
Jet-A-1 Pipeline from Pitalganj (Near Kanchan Bridge) to Karmitola Aviation Depot) (KAD) including pumping facilities One Oil Pipeline from Chittagong to Dhaka (1st Revised)	Transmission	53 %	BPC	Carry over
Jet A-1 Pipeline from MI to Shah Amanat International Airport, Chittagong (1st Revised)	Transmission	73.3 %	BPC	Carry over
India-Bangladesh Friendship Pipeline Project Land Acquisition and Entitlement and Other Infrastructure Development/Other Ancillary Facilities Development (2nd Revised)	Transmission	99.5%	BPC	Carry over
Sylhet-12 Well Drilling (Oil Well)	Production	0.8 %	PetroBangla	Continuing

Source: Authors' Calculation ADP FY26, MoF

3.4 Power and Energy Sector in the National Budget 2025-26: Fiscal Proposals in the National Budget

Subsidy

- The power sector has received a **subsidy of Tk 37,000 crore** in the budget FY2026
- In FY2025, the subsidy allocation **was Tk 62,000 crore**
- For LNG a **higher allocation of Tk 9,000 crore has been allocated** in FY2026 compared to Tk 6,000 crore in FY2025

Tax Incentives

- Govt. **set the source tax for the companies involved in oil refinery activities** at 1.5% from 2% considering the **potential profit**
- For **gas distribution companies**, rate of tax deducted at source has been **reduced from 2% to 0.6%**

VAT Exemption

- **An exemption of 15% VAT from the LNG on import** stage has been proposed in the national budget FY26

4. Renewable Energy in the National Budget FY2025-26

4.1 Renewable Energy in the National Budget FY2025-26: Allocation for SREDA

- **Major funding goes toward smart metering** and **distribution upgrades**, reflecting modernization efforts.
    - **Funding gradually decreases** in subsequent years, indicating project phases progressing toward completion
- Overall, the **allocation shows an emphasis** on enhancing energy infrastructure and **supporting the renewable energy transition** over the medium term

Table 12: Budget Allocation for SREDA (Thousand BDT)

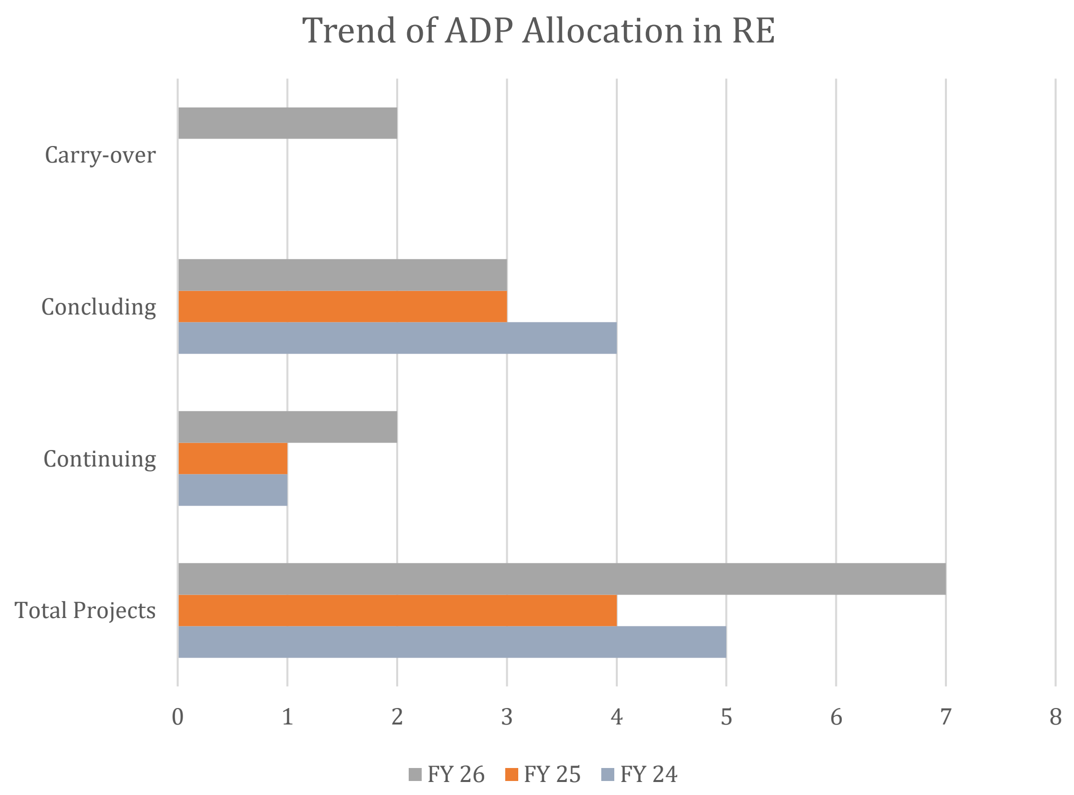
Project Code & Title	**Related Activity**	**Actual 2023–24**	**Revised Budget 2024–25**	**Medium Term Estimate 2025–26**
224284000 — Extension & Renovation of Distribution Line & Substation (Rangpur Division, 01/2019–06/2025)	1, 2	22,50,00	10,48,10	8,18,10
224284100 — Extension & Renovation of Distribution Line & Substation (Rajshahi Division, 01/2019–06/2025)	1, 2	23,37,50	18,09,60	17,50,00
224365400 — Smart Distribution System in NESCO Area (07/2022–06/2025)	1	0	7,59,80	6,00,00
224365500 — Smart Pre-Payment Meter Installation in Rajshahi & Rangpur (07/2022–06/2025)	3	0	23,70,00	12,16,90
Total: Annual Development Program		45,87,50	59,87,50	43,85,00
Total: Development Activities		45,87,50	59,87,50	43,85,00
Grand Total		45,87,50	59,87,50	43,85,00

Source: MoF, budget docs

4.2 Renewable Energy in the National Budget FY2025-26: Projects Under Implementation (ADP)

- The number of projects has been **increased in the ADP** allocation for FY 2025-26 compared to FY 2024-25 (Fig. 16)
  - From 4 projects in FY2025 to 7 projects in FY2026
- Most of the renewable energy-based projects are **concluding projects (3 out of 7)** that have decreased over the last three years
- In contrast, the **number of carry-over projects has increased** to 2 in FY 2025-26
- Furthermore, the slightly **higher number of publicly funded renewable** energy projects is a major weakness in allocative priorities
- **None of the 3 'concluding'** projects will be completed within the upcoming fiscal year, and will **turn out to be 'carry over' projects**
  - **Unless properly funded**, both continuing project (implementation rate: 52.8% and 43.4%) would turn out to **be carryover projects**

Figure 16: Implementation Rate RE related Projects



Source: MoF, budget docs

4.2 Renewable Energy in the National Budget FY2025-26: Projects Under Implementation (ADP)

Table 13: Renewable Energy based Major Development Projects for FY2025-26

Name of the Project	Maximum Complet ion Rate	Type of Project	Project Status
223050200 - Technical Assistance Project for Energy Transition, Security and Energy Efficiency in the Energy Sector -(01/01/2024 - 31/12/2026)	52.8 %	Energy	Continuing
224389300 - Technical Assistance Project on Reducing Carbon Emissions in Oil and Gas Production/Supply Systems- (01/10/2023 - 30/09/2026)	43.4 %	Energy	Continuing
Technical Assistance Project on Renewable Energy Resource Assessment and Piloting (3rd Revised)-01/07/2019 - 31/12/2025	99.9 %	TA	Carry over
TA for Standing and Development of Sustainable Power Sector in Bangladesh (1st Revised)-01/07/2020 - 30/06/2026	57.5 %	TA	Concluding
Land Acquisition Project for Raipura 120 MW (AC) Peak Grid Tied Solar Power Plant-01/07/2024 - 30/06/2026	96.3 %	TA	Concluding
Construction of 100 MW Solar Power Plant at Madarganj, Jamalpur District (1st Revised)-01/09/2021 - 31/08/2025	97.5 %	Generation	Concluding
Agricultural Irrigation through Solar Powered Pumps (2nd Revised)-01/07/2018 - 31/12/2025	62 %	Distribution	Carry over

Source: ADP FY2026

4.2 Renewable Energy in the National Budget FY2025-26: Projects Under Implementation (ADP)

- A total of 3 renewable energy-based power plants with a generation capacity of **419 MW are** in the pipeline by 2025 (Table 15)
    - Adding the upcoming power into the grid, the renewable energy-based generation will be **1670 MW**
- Only three projects are currently in the pipeline of public investment with a total capacity of a meagre **108 MW.**
    - Only **25% of total** RE projects in pipeline
- The projects under the pipeline should be commissioned with **proper allocation**
- Providing **fiscal support as** well as gradually reducing fiscal support for fossil-fuel-based energy and power is important to attract private investment
- Foreign investment and foreign aid will be needed to undertake **more G-G, G-P, and P-P projects** for the development of the renewable energy sector development

Table 14: Upcoming Renewable Energy based Projects

Name of the Power Plant	Capacity (MW)	Fuel Type	Possible Commissioning Date
Public Projects			
Madarganj, Jamalpur 100 MW Solar Park	100	Solar	Jun-26
Sub- total	100		
Private Projects			
Moulavibajar, Sylhet 10 MW Solar Power Plant	10	Solar	Jun-25
Pabna 65 MW Solar Park	65	Solar	Jul-25
Dharmapasha Sunamganj 32 MW Solar Power Plant	32	Solar	Dec-25
Tetulia Panchgar 30 MW Solar Park	30	Solar	Dec-26
Bayerhat Chattogram 50 MW Solar Power Plant	50	Solar	Jan-26
Gowainghat Sylhet 5 MW Solar Power Plant	100	Solar	Dec-26
Bera Pabna 3.77 Solar Power Plant	3.77	Solar	Dec-26
Patgram Lalmonirhat 5 MW Solar Power Plant	5	Solar	Dec-26
Mongla Bagerhat 55 MW Wind Power Plant	55	Wind	Sep-26
Muktagacha Mymensing 20 MW Solar Power plant	20	Solar	Dec-26
Aminbazar 42.5 Biogass Power Plant	42.5	Biogas	July-26
Sub- total	**319**		
Total (MW)	419		

Source: BPDB Monthly progress report

5. Is the Interim Government on Right Track Addressing the Challenges?

5.1 Is the Interim Government on Right Track?: Addressing Financial Challenges

BPDB

- In order to address the financial challenges of the government authority of the power and energy sector, the **budget FY2025-26 mentions few budgetary support**
    - The **PPAs and contracts** with the power generation companies and **energy audits** of the power plants have been proposed
    - These **initiatives align with reducing the loss of BPDB**, however, only such initiatives will not be enough
- BPDB **needs to reduce the cost of electricity generation** and **power purchase** from different power plants
    - The budget **lacks in terms of addressing how the cost of electricity generation** and power purchase cost from other power plants can be reduced by BPDB

BPC

- **BPC** has been making profit and even **forecasted to make profit** in the next fiscal year
- In the budget, **reduction of source tax** has been proposed considering the agenda of profit maximization
    - **State owned corporations** aiming to **make profit a deadly mindset** as in most cases the profit will be made on the shoulders of consumers
- The budget also **failed to balancing the sectoral financial challenges** by initiating sectoral cross subsidy
- Ministry **should allocate the extra profit made by BPC to provide subsidy to BPDB**

5.1 Is the Interim Government on Right Track?: Addressing Financial Challenges

Recommendations

- The MoPEMR particularly BPDB and PetroBangla **needs to design a five-year financial recovery plan** with a view to **gradually reduce all overdues** to concerned divisions and departments to zero
  - Such a plan will require gradual phase out of fossil-fuel based power plants after their current contracts will be over
  - Moreover, such a plan will require withdrawal of 'capacity payment' clause from renewed PPAs as well as PPAs to be signed for new fossil-fuel based power plants
  - The plan must not require to increase tariffs for electricity, gas and LNG at retail level
- The budget ought to reconsider the **excessive allocation on fossil fuel-based** power generation
  - The **reserve mar**gin (not more than 30 per cent of total generation capacity) should be based on the capacity of renewable energy-based power generation- the MoPEMR **should take new projects** in ADP accordingly.
- BPDB needs to **phase out the inefficient and old fossil fuel power plants** as these power plants require more fuel to run to generate a small amount of electricity

5.2 Is the Interim Government on Right Track?: Addressing the Fiscal Burden

- The budget for FY2026 **has not mentioned any strategy or action plan** for settling the outstanding dues of the power division

Recommendation

- As a short-term solution, **MoPEMR should discuss with the MoF regarding allocating additional funds** to the BPDB and PetroBangla as loan to clear overdue of payments of locally-funded IPPs and loans
    - Such **funds could be channelled from the ministries and departments** which are systematically poor record of utilising allocated fund
- Similarly, MoPEMR should discuss with the MoF **regarding allocating necessary foreign exchange for clearing overdue loans**, bills and charges to foreign-owned companies/foreign funded projects
- To reduce the subsidy burden, **BPDB should renegotiate the electricity purchase prices from the IPPs** which were contracted unsolicited under the special Act at a higher price compared to the market price

5.3 Is the Interim Government on Right Track?: Addressing the Shortages of Gas Supply

- Breaking the previous pattern, **budget FY2026 put emphasis on the domestic gas exploration** by allocating record amount
- The increased allocation for drilling gas production wells **(Tk. 1098 crore),** prepaid gas metering **(Tk. 920 crore),** and exploration surveys **(Tk. 268 crore)** helping energy security and efficiency is much appreciated
  - According to the budget, government has a plan to dig 17 well
  - However, only 6 new wells are currently in the drilling phase and 7 will start in FY26
  - The allocated budget for these drilling projects is Tk.1098 crore
- Even if the budget **focuses on the domestic gas exploration**, **it encourages LNG import even more**
  - Allocation for LNG import and VAT exemption further motivate the expansion of costly LNG based power generation

5.3 Is the Interim Government on Right Track?: Addressing the Shortages of Gas Supply

Recommendations

- **PetroBangla should start exploring the wells immediately** using its 'gas development fund' instead of relying on the foreign bidders
  - BAPEX **should even take loan for allocating resources** for gas exploration for the 10 wells that are supposed to be explored using rented rigs
- Since supplying energy is one of the top-most priorities for the national economy, the MoPEMR should discuss with the Ministry of Planning for **necessary allocation of resources for ADP projects** for development of gas-fields
- The government should **deprioritise importing LNG** and should put focus on exploration of domestic natural gas
  - In this context, **recent signing of a deal with USA on supply of LNG would weaken** the effort of exploring domestic gas
  - The **government may welcome USA based companies** to submit their proposals for exploration of gas in the off-shore fields
- The **review committee should immediately submit their recommendations** based on the discussions with the foreign companies and thereby re-tender the off-shore gas blocks

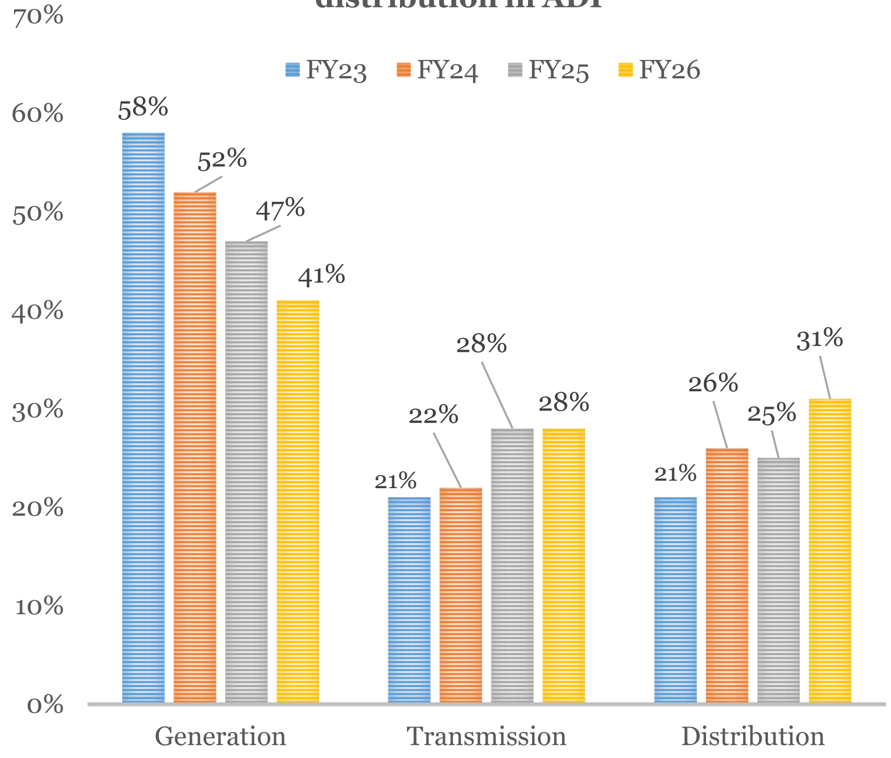
5.4 Is the Interim Government on Right Track?: Addressing the Shortage of Electricity Supply

- The budget put emphasis on ensuring the energy security by providing continuous electricity
  - In order to do so, the **budget does propose exploring domestic gas reserves**, **domestic coal extraction**, oil **import and expansion of LNG import**
- The number of **transmission and distribution projects** have also been increased in the ADP FY25-26
  - **Gradual prioratisation** on the TnD system, mainly on distribution system can be noticed in the ADP allocation

Recommendation

- The budget should **prioritise a chunk allocation for smart grid system** as the traditional grid system is causing power outages
  - **Smart grid will be vital** as we move with the renewable energy integration into the grid
- Focus must be provided to **phase out the imported fossil fuel power** generation and replace those with RE and gas-based power generation
- **Budget should have incentivize** the solar system, **distributed renewable energy system** through net metering system
  - Such system will help consumers generate their own electricity and even supply the excess into the grid

Fig. 17 S:hare of generation, transmission and distribution in ADP



Source: ADP FY2026

5.5 Is the Interim Government on Right Track?: Addressing the Pricing Issues

- The interim government stated that **it has no intention to increase the power tariff** for this time being due to high inflation level
  - However, the budget **proposes some measures which may hinder** the market-based pricing system
- Government **has set the source tax for the companies** involved in oil refinery activities at 1.5% from 2% considering the potential profit
  - Such incentives will **hinder the market- based pricing mechanism** for fuel oil
- In case of gas, for gas distribution companies, **rate of tax deducted at source has been reduced** from 2% to 0.6%
  - **VAT exemption on LNG import** most likely will not have any impact on the gas tariff as the gas tariff has already been set few days back
- In a nutshell, **the budget will not be able to do much to address the hiked power and energy tariffs** by solving the faulty pricing mechanism

Recommendation

- The ministry should **review the adapted price setting methodology** of fuel oil which will actually help accommodate the global trend

5.6 Is the Interim Government on Right Track?: Addressing the Solar-Based Power Generation Challenges

- The budget **barely addresses the challenges** faced in solar based power generation
  - **Neither the budget allocates enough budgetary allocation** for the renewable energy expansion
  - Nor it **indicates any sort of tariff reduction on the renewable energy**-based power generation equipment
  - The budget also **doesn’t state any policy and fiscal incentives** for the investors to come out of the three failed tender attempts to attract potential investments

Recommendations

- **Sufficient allocation with enough number of RE projects** ought to be added in the ADP FY26
- The number of **renewable energy projects in ADP should increase drastically** to achieve the renewable energy goals by 2030 and 2040
- The budget **ought to reduce the tariff of renewable energy (RE) Components**
  - For any renewable energy-related HS Code where the Customs Duty (CD) exceeds 5%, it should be reduced to 5%
- Apart from high Customs Duty, AIT, RD, AT, and SD **further discourage investment in solar panels** (854140), wind turbines (850231), and battery storage (850760, 850720)
  - The government **should eliminate these taxes** on all renewable energy goods to reduce costs and boost adoption
  - It is also recommended **to reduce the VAT to 10% from 15%**

5.6 Is the Interim Government on Right Track?: Addressing the Solar-Based Power Generation Challenges

- The Budget ought to **restructure the existing VAT and Tax structure** in RE sector
- **Incentives such as income tax rebates or accelerated depreciation benefits** etc. ought to be extended to households, businesses, and other private entities that install solar home systems, rooftop solar, battery storage, and other decentralised renewable energy solutions
- The government ought to **reduce the VAT on solar components for private use** which will encourage the households and businesses to install the facilities
  - Subsidy to be provided for Renewable Energy expansion in the National Budget of FY2026
- The government **should introduce low-interest grants, or subsidy schemes** to support households and businesses investing in solar power
- A **dedicated Renewable Energy Subsidy Fund** should be established to provide financial support for facilitating establishment of private and commercial solar, wind, and biomass production units, ensuring that subsidies are not disproportionately directed toward fossil fuel-based power plants
  - The **subsidy fund needs to have a proper roadmap** to be reduced over time
- Financial incentives, such as **rebates on installation costs or direct subsidy payments for net-metered electricity**, could encourage more widespread adoption
- To improve access to **clean energy in remote and underserved regions, subsidies** should be allocated for **mini-grid solar, battery storage technologies** and wind projects

5.7 Is the Interim Government on Right Track?: Addressing the Concerns in Taking Costly Loans

- The budget encourages the **risky short-term loans** that comes with a high interest payment
    - This loans can be **financially deadly if** not repaid on time with compounding interest rates

Recommendation

- MoPEMR **needs to present a medium-long term financial sustainability** plan
- **Instead of such high interest rate, short term loans**, government should look for no to low-interest rate loans, and grants
    - In this case, the Ministry of Finance especially ERD **could negotiate with the MDBs including IMF,** World Bank and ADB for necessary budget support

5.8 Is the Interim Government on Right Track?: Addressing the Slow Policy Shift

- **Limited alignment with decarbonization priorities**
  - FY2026 budget shows a **clear lack of progress in reducing fossil fuel** reliance
    - With **increased coal extraction** and **LNG imports**, contrasting recommendations for **phasing out domestic coal** and reducing LNG dependency.
- **Moderate progress on energy efficiency and domestic resource development**
  - While fossil fuel reduction targets were missed, the budget reflects **notable progress** in domestic gas exploration, drilling, and smart metering initiatives, alongside modest
  - However, **meaningful allocations** for climate resilience and energy transition planning are made

Table 5: CPD Recommendation Reflection Status

CPD Recommendation	Status in FY 26	Details
Stop domestic coal extraction	**Anti Energy Transition**	FY 25: **6 lakh metric ton** extracted FY 26: **6.5 lakh metric ton** extracted (an increase)
Reduce LNG import and LNG dependency	**Anti Energy Transition**	FY 25: **5 million ton** imported FY 26: **6.56 million ton** imported; **Import VAT exempted** for LNG; **7.9 crore BDT** allocated in ADP for **LNG land terminal**
Drilling wells for domestic gas production	**Mixed**	Number of wells (exploration/development/workover) increased from **13** to **17**; **1,098 crore BDT** allocated in ADP for these well projects
Exploration for discovery of domestic gas fields	**Mixed**	Geological & seismic surveys planned: **90-line km geological**, **700 km 2D**, **450 km 3D**; **268 crore BDT** allocated in ADP
Smart metering for energy efficiency	**Pro Energy Transition**	**920 crore BDT** allocated in ADP for prepaid gas meters for Titas, PGCL (including SCADA & GIS), and KGDCL
Climate change and energy transition-related allocation	**Pro Energy Transition**	**38.36 crore BDT** allocated for geo-information, TA for **carbon reduction** in oil/gas, and TA for **energy transition and energy efficiency** in the sector

5.8 Is the Interim Government on Right Track?: Addressing the Slow Policy Shift

- There is an **inconsistency observed among the policy, plans and laws** and national budget of FY2025-26 in terms of financial and fiscal issues
    - Specially in case of the **pro-energy transition policies**, plans, laws, rules and acts
    - However, a **moderate alignment in case of the pro fossil fuel policies**, plans and proposed national budget can be noticed
- Such proposed **policy reforms are not enough to push through** the energy transition goals of 20% by 2030 and 30% by 2041

Recommendation

- **All the important and major policies, acts, laws and rules should be reviewed during the interim government** regime keeping the 2040 renewable energy target in mind
    - As IEPMP is the umbrella document of the sector, the **IEPMP should be revised first then other policies should** be revised accordingly

5.9 Is the Interim Government on Right Track?: Addressing the Political Commitment of Meeting One of three Zeros

- The budget for FY2025-26 seems **disappointing not only in terms of ignoring the renewable energy** expansion, but also **emphasising on fossil fuel expansion**
  - Surprisingly the first ever budget proposed by the **pro-transition government includes project related to domestic coal exploration**
  - **Extraction of 6.5 lakh metric tons of coal from Barapukuria coal mine** has been listed as one of the key important projects
- The **budget will be surely unsuccessful** in terms of energy transition by 2041
- The **Interim Government seems to be off- track** from it's Political Commitment of Meeting the 3 Zero Target

Recommendation

- The Budget **needs to end the pro-fossil fuel incentive structure** by withdrawing the corporate tax exemption for all type of fossil fuel- based companies for all the upcoming power plants
  - A minimum of 5% custom duty along with surcharge should be imposed on the import of all the machineries and steel structure of fossil fuel- based power generation companies
- **Carbon tax should be introduced** to compensate the environmental degradation caused by electricity generation from such fossil fuel power plants
- The **budget should withdraw the zero VAT imposition** on LNG import
- The **increasing subsidy provided to LNG is concerning**.
  - **All subsidy on fossil fuel must be discontinued**
- **No new initiative for coal extraction** or coal-based power plants should be undertaken

Thank You!