Policy Brief

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Highlights

- The Renewable Energy Policy Draft 2025 is a timely initiative. However, it needs to revisit its targets for renewable energy power generation instead of following the exaggerated target set in the Integrated Energy and Power Master Plan (IEPMP).
- FDI will play a significant role in renewable adoption in the country. However, the draft mentions little incentives for attracting FDI.
- The draft policy lacks in promoting appropriate grid modernisation and storage capacity for renewable energy.
- The draft policy also does not have any phase out strategy of fossil fuels-based power plants.
- The SREDA is assigned with major responsibilities for managing and developing renewable projects in the draft policy. However, BERC is given the licencing right for renewable power plants of 5 MW or more which may create bureaucratic maze.

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Renewable Energy Policy (Draft) 2025

Major Observations and Recommendations

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1. Introduction

The interim government has taken a major initiative to revise key policies and plans related to the power and energy sector of the country. In this connection, the Power Division has published the online version of a draft policy titled 'Renewable Energy Policy (draft) 2025' for necessary comments and feedback. While the previous version of the draft policy (published in 2023) was issued by the Sustainable and Renewable Energy Development Authority (SREDA), this new version of the draft policy is issued by the Power Division – a major change in terms of shifting the responsibility in preparing the policy. Unlike the previous regime, it is expected that the interim government will pay attention to the comments and feedback provided by different stakeholders. More importantly, an inclusive ownership-based policy formulation process is expected to be developed in the coming days in case of other important power and energy-related policies and plans. Taking that into account, the Centre for Policy Dialogue (CPD) has carried out an in-depth analysis on the draft Renewable Energy Policy 2025 and put forward necessary suggestions in this policy brief.

The vision of the draft renewable energy policy 2025 is to adapt and develop renewable technologies and promote their local manufacturing to ensure affordable, reliable, environment friendly and sustainable supply of energy of the country. The Government of Bangladesh (GoB) initially introduced the Bangladesh Renewable Energy Policy 2008 to promote the development and utilisation of renewable energy sources in the country. The policy was designed to support the country's energy security, reduce its dependence on imported fossil fuels, and promote sustainable development. The Sustainable and Renewable Energy Development Authority (SREDA) developed a draft renewable energy policy in 2022. With a few modifications and improvements, it published a draft called the renewable energy policy (Draft) 2025 to invite critical reviews of it. The target of the renewable energy policy 2025 is to generate 20 per cent electricity (6145 MW) from renewable sources by 2030 and to produce 30 per cent electricity (17,470 MW) by 2041.

Yet, there is little focus on keeping alignment with major policies and plans other than IEPMP 2023. The aim of this policy brief is to identify the shortcomings by critically reviewing the Renewable Energy Policy (Draft) 2025, analyse the level of coherence, assess the level of renewable energy (RE) support mechanisms and suggest improvements for the draft policy of 2025.

2. Methodology

To achieve the study objectives, first, the structure of the draft policy was critically reviewed. Secondly, this study utilised the seven indicators—strategic planning, renewable energy financing, net metering, renewable portfolio standards, feed-in-tariffs, grants, and subsidies—used by Moazzem et al. (2023). The policy was evaluated by analysing the level of the presence of those indicators. The level of presence was categorised as high, medium, and low. Finally, the draft policy was analysed in terms of coherent point of view—analysing inconsistencies that this draft policy has with other policies and plans.

3. Overview of the Renewable Energy Policy (Draft) 2025

The draft renewable energy policy has several goals− reducing tariff, harnessing the RE sources and disseminating RE technologies, scaling up the RE capacity, attracting investment, increasing the share of green energy in the energy mix, and utilising battery energy storage system (BESS).

The policy includes several renewable sources including solar, wind, biomass, waste-to-energy, biofuels, geothermal, tidal waves, hydro, and green hydrogen.

The policy assigns SREDA with substantial responsibility of RE technology development, programme implementation, roadmap/ plan development, and incentive development for the RE project. In addition, SREDA will develop a mechanism for introducing Renewable Energy Certificate (REC) and Renewable Purchase Obligation (RPO). The Bangladesh Energy Regulatory Commission (BERC) is assigned the responsibility of providing the licence for RE plants with capacity of 5 MW or more.

The draft policy aims to promote utility scale renewable energy projects such as renewable energy projects for residential, commercial and industrial consumers, solar irrigation projects, charging stations for electric vehicles (EV) and battery swapping, and floating solar projects. It also wants to promote research and development (R&D) for the advancement of RE technology and local production. It also aims to raise awareness and education in this area. The policy added that it will be revised after every three or five years.

4. Critical Review of Renewable Energy Policy (Draft) 2025

After a careful review of the draft policy, we found the following issues:

Ambitious Targets: The targets of the draft policy are very ambitious and unfeasible. The Renewable Energy Policy 2008 had a target of achieving 10 per cent electricity from RE by 2021. The country, in 2025, has only 5.6 per cent RE capacity. Considering the current situation and upcoming RE projects, the target of achieving 20 per cent electricity from RE sources by 2030 is very unlikely.

Green Energy vs Renewable Energy conflict: The draft renewable energy policy mentions increasing 'Green Energy' share in the energy mix. But not all RE sources are green. However, it promotes several renewable sources which are not green. For instance, biomass, biogas, waste-to-energy, and hydro (large scale) are RE, but not green. If green energy is emphasised, several RE sources will be ignored as they are not green. The draft policy needs to clarify this issue.

All objectives not addressed: One of the objectives of the draft renewable energy 2025 is to reduce tariff on electricity. However, the policy did not mention anything as to how it wants to achieve this objective. Similarly, another objective of this draft policy is to disseminate technology throughout the country. But the policy did not also specify how it wants to achieve it.

Vague Wordings: The language of the policy should be clear as it is a concrete document that crafts the future trajectory. However, in many cases the policy leaves a space of ambiguity and uncertainty through its wordings. For instance, it mentions that Sustainable Energy Development Fund 'may' be developed; incentive mechanisms for carbon trading 'may' be developed; the government 'may' consider the waiver for EV; stamp duty 'may' be exempted; the government 'may' provide production linked incentives and so on. This use of 'may' shows indecisiveness and creates ambiguity. This vagueness creates uncertainty about whether the exemption is provided or not and if it is provided, there is uncertainty about who will get the exemption and who will not. Since there is subjectivity involved, there is a change of rationing and rise of corruption.

Vagueness about incentives: The Renewable Energy Policy of Bangladesh (2008) offers a 15 per cent VAT exemption for renewable materials, micro-credit support, subsidies for solar, wind, and biomass projects, a five-year corporate income tax exemption for renewable energy investments, and tariff incentives. On the other hand, the draft policy includes instruments such as micro-credit support, promotion of joint venture, duty and VAT exemption for all RE components, corporate income tax exemption for 10 years and partial exemption for the next 5 years. The incentives have increased in the new policy which is appreciated. However, there are few indecisive instruments mentioned indecisively.

Licensing assigned to BERC, responsibilities to SREDA: While the draft policy assigns substantial responsibilities to SREDA — including developing and managing renewable energy projects, as well as formulating incentives and guidelines — it designates the licensing authority for renewable plants above 5MW to BERC. Assigning this role to BERC is reasonable given its regulatory expertise. However, without clear coordination mechanisms between BERC and SREDA, there is a risk of creating bureaucratic complexity that could slow down project approvals and implementation.

Low Emphasis on RE for Industrial Usage: The draft renewable energy policy encourages use of RE for utility purposes, irrigation and EV charging. However, for heavy industrial manufacturing work, the use of renewable energy is not promoted in the draft policy. However, it does encourage solar rooftops above industrial and residential buildings.

Conflict with IEPMP: The policy cites IEPMP for achieving as it wants to achieve the goals set in IEPMP. However, the draft policy emphasises renewable energy while the IEPMP emphasised both clean energy and traditional energy such as LNG and imported gas. Additionally, the policy lacks strategic planning, grant and subsidy, and RE financing.

No Phasing-out: The draft policy does not include any indication of phasing out of the existing fossil fuel-based power plants. Transitioning to sustainable energy is not only about increasing renewable energy capacity but also reducing or phasing out fossil fuel plants. Without a strategy for decommissioning outdated plants, there is a risk of continued operation alongside growing renewable energy capacity, leading to conflicts, inefficiencies, and missed opportunities for cleaner energy production.

Aspirational but Unsupported: The sections on grid integration, regulatory policies, research and development, awareness, and environmental challenges (Sections 10.0 through 14.0) suffer from the same questions of uncertainty, lack of detailed, and impractical goals. For example, although the draft policy's aim of creating flexible and efficient transmission and distribution (T&D) networks is admirable, it does

not indicate which areas will be given top priority. Without a well-defined plan, this remains an aspirational remark rather than a firm one. Another idealistic goal lacking specific actionable elements is the policy's concentration on energy storage technology. Although the policy recognises the need for energy storage for grid stability, it does not offer any incentives to assist such initiatives. This lack of incentive or financial support makes it doubtful that these technologies will be used at the necessary level to meet the lofty goals of the strategy.

Vagueness in responsibility Assignment: The use of ambiguous and uncertain wording is a recurrent problem in these parts since it undermines the validity of the policy. The policy notes, for instance, that a group of RE developers 'may' help to create shared evacuation routes. Using the phrase 'may' leaves one wondering about whether pricing policies or incentives will be offered, so deterring cooperation among developers. Likewise, the policy notes that financing for R&D projects 'may also be one of the sources', therefore creating doubt on the availability of funds. Such ambiguous phrasing not only causes uncertainty further permits the use of subjective judgments, which may lead to inefficiencies. Lack of clear duties and enforcement systems is another important weakness. For example, the policy emphasises guaranteeing sufficient protective systems at plant and network levels but does not allocate responsibility to any organisation. Lack of clarity here could cause delays or implementation gaps. The policy mandates SREDA to develop bio-slurry management policies (Section 14.4), yet it fails to provide enforcement mechanisms or clear deadlines. Without this, there is little assurance that such policies will be formulated or implemented effectively. This lack of accountability weakens the policy's credibility and risks rendering this provision ineffective.

Financing and Regulatory Challenges: Furthermore, neglected by the approach are important financial and regulatory issues. For instance, the policy does not clearly specify a deadline or enforcement mechanism, which could postpone its implementation indefinitely even if the inclusion of Renewable Purchase Obligation (RPO) and Renewable Energy Certificates (REC) in Section 11.1 marks a significant move. Furthermore, the policies of the draft renewable energy policy for tariff determination by government procurement (Section 11.2) lacks clarification about how tariffs would be computed or whether they will be competitive, therefore generating confusion for investors. Although the strategy calls for some progressive actions, like supporting smart grid and microgrid technologies (Section 10.1.9) and private sector participation in R&D (Section 12.7), the lack of particular goals, deadlines, and incentives compromises these provisions. For instance, the policy leaves out any incentives for private sector involvement, therefore rendering encouragement a hollow statement with no practical results.

While the draft renewable energy policy 2025 sets ambitious goals, its lack of clarity, specificity, and enforceability raises concerns about practicality. Vague terms like 'may' create loopholes, enabling inefficiencies, delays, and potential corruption. To be effective, the policy must include clear deadlines, assigned tasks, and defined financing sources. Without these, it risks being merely aspirational rather than a viable roadmap for Bangladesh's renewable energy future.

4.1 Review of Renewable Energy Support Mechanism in Renewable Energy Policy (Draft) 2025

Table 1 represents the level of RE support mechanism present in the Renewable Energy Policy (Draft) 2025. Moazzem et al. (2023) identified several instruments – renewable portfolio standard, strategic planning, tax incentives, renewable energy financing, grants and subsidy, net metering system, feed-in-tariff which should be in a policy for facilitating renewable energy adoption. The presence of these instruments is categorised as absent, low, medium and high. The renewable portfolio standard, tax incentives, and net metering system in the draft policy are medium. Feed-in-Tariff is low, and strategic planning, RE financing, and grant and subsidies are absent.

Table 1 Level of Renewable Energy Support Mechanism

RE Support Mechanism	Description of the matched part from the draft policy	Level of Reflection
Renewable Portfolio Standard	The target of the revised renewable energy policy 2025 is to generate 20% electricity (6145 MW) from renewable sources by 2030 and to produce 30% electricity (17,470 MW) by 2041	Medium
Strategic Planning		Absent
Tax Incentives	Duty and VAT exemption for all RE components, corporate income tax exemption for 10 years and partial exemption for the next 5 years	Medium
Renewable Energy Financing	'Sustainable development Fund may be established…' BB, IDCOL and other financing institutions for bridging financing gaps in RE infrastructure Development. Micro-credit	Medium
Grants and Subsidy		Absent
Net Metering System	'Electricity generated from RE projects...will be purchased by power utilities and any private consumer under…Net Metering Guidelines 2008' '…To scale up rooftop solar as per Net Metering Guidelines…' '…the developer and consumer shall enter into a lease agreement …according to the Net metering guideline' 'SREDA will follow up the implementation of the net metering guideline.'	Medium
Feed-in-Tariff	'The government will create an enabling environment to scale up rooftop solar projects' '…incentives for installation of solar, wind, biomass, and any other RE projects'	Low

Source: Authors' compilation

Compared to the renewable energy policy 2008 which had a goal of 10 per cent electricity form RE by 2020, the draft renewable energy policy 2025 has a higher RE portfolio with goals to generate 20 per cent electricity form RE by 2030 and 30 per cent by 2041. Besides, when it comes to tax incentives, the draft policy exempts VAT for all RE instruments and gives income tax exemption for 10 years and partial income tax exemption for the next five years. The previous policy had just 15 per cent VAT exemption and 5-year income tax exemption. In several cases the draft policy mentions to follow the net metering guidelines which is appreciated. The renewable energy policy 2008 did not have any feed-in-tariff but the draft renewable energy policy 2025 has introduced feed-in-tariff. However, the level of feed-in-tariff is very low.

The draft renewable energy policy 2025 does not have enough financing mechanisms for developments of renewable energy projects. The draft policy mentions that Sustainable Energy Development Fund (SEDF) may be developed and states Bangladesh Bank (BB) and Infrastructure Development Company Limited (IDCOL) for financing. However, the financing of the majority of the future renewable energy projects would come from Foreign Direct Investment (FDI). Yet, the draft policy does not mention FDI, nor does it provide any incentives for attracting it.

5. Coherence: Consistency among Plans and Renewable Energy Policy (Draft) 2025

The draft renewable policy wants 20 per cent renewable power by 2030. These goals require technological alignment with Delta Plan 2100, National Solar Energy Roadmap (NSER), and IEPMP. But a close

observation finds substantial variation in technical priorities and execution tactics. They would hinder renewable energy.

Energy-mix: The IEPMP prefers natural gas, LNG, and nuclear power over renewable energy in Bangladesh's energy plans. While renewable energy is important, the IEPMP does not recommend widespread implementation. This is technologically incompatible with rapid solar, wind, and energy storage system growth of the draft policy of 2025. IEPMP's focus on imported LNG and natural gas power plants contrasts with the draft policy's fossil fuel reduction goal. The IEPMP's disregard for system upgrading and energy storage hinders the draft policy's intermittent renewable energy goal on the national grid. The draft policy technological targets may fail without a strategy (IEPMP, 2023).

Solar Energy: The draft renewable energy policy and SREDA's National Solar Energy Roadmap (NSER) both promote solar energy in Bangladesh, but their approaches differ. While the draft policy acknowledges NSER's support for floating solar and solar irrigation pumps, it lacks specific details on the technologies required for these applications. Additionally, NSER-focused projects may face a lack of policy support, leading to potential coherence issues. Although NSER highlights the benefits of local solar component production in reducing costs and creating jobs, the draft policy does not offer incentives for developing the local solar industry. Instead, it promotes tax and VAT benefits for importing renewable energy technologies, which could hinder the growth of indigenous production and reduce the country's solar energy self-sufficiency.

Climate Resilience: Sustainable growth requires renewable energy in Bangladesh's Delta Plan 2100. The draft policy supports solar and wind, while the plan emphasises biomass and hydroelectric. The Renewable Energy Policy (Draft) 2025 recognises hydropower and biomass as renewables but does not propose technologies, contradicting Delta Plan 2100. Delta Plan 2100 promotes coastal renewable energy for climate and disaster resilience. The draft policy ignores how floating solar projects for flood-prone areas and off-grid solar systems for disaster-prone areas could boost climate resilience. Lack of cooperation reduces strategy synergy (Delta Plan 2100, 2018).

Energy Storage and Grid Modernisation: Energy storage and grid enhancement lack technological cohesion. Grid stability depends on energy storage, but the draft renewable energy policy gives no plan or support for the energy storage and modernisation. Neither IEPMP nor NSER smart grid or microgrid is complete. Adding renewable energy to the national system demands better storage and grid modernisation, creating a technical gap. Grid instability and inefficiency could undermine the draft policy's renewable energy ambitions without a framework.

Coordination Gap: Overlapping duties and poor coordination among renewable energy entities create a coherence gap. While SREDA manages the Renewable Energy Policy (draft) 2025, the Power Division and BERC operate separately, causing misalignment with other plans like IEPMP, NSER, and Delta Plan 2100. Duplicated tasks and tech issues further hinder progress. Without energy storage and system upgrades, renewable projects struggle. To enhance coherence, the draft energy policy must align technology priorities, execution plans, and national initiatives. Effective collaboration between the SREDA, the Power Division, and the BERC is essential for achieving Bangladesh's renewable energy goals.

6. Conclusion and Recommendations

The initiative of a new renewable energy policy is laudatory, and it is admiring that the new policy has increased tax incentives compared to the renewable energy policy 2008. Additionally, the policy draft increased the range of RE sources which is appreciated. However, there are many scopes of improvement. Based on the analysis of this study the following recommendations are suggested:

The target of 20 per cent electricity from renewable energy by 2030 should be reevaluated. The draft renewable energy policy 2025 aims to achieve 20 per cent electricity from RE sources by 2030. However, based on the current progress of the RE projects and incentives mentioned in this draft, this target is very ambitious. Therefore, it is suggested that the target be reevaluated.

The conflict between Green Energy and Renewable Energy must be clarified. One of the objectives of the draft renewable energy policy 2025 is to increase the share of Green Energy in the energy mix. However, since not all REs are green, and green energy is emphasised, several RE sources will be ignored as they are not green. This conflict needs to be addressed.

All objectives mentioned in the draft must be addressed in detail. Although reducing tariff on electricity and disseminating RE technology are objectives of the renewable energy policy draft, it does not talk about it neither mentions the incentives. Therefore, the draft policy should clearly mention how these objectives will be addressed.

Vague wording must be eliminated from the policy. These have been use of words like 'may or may be' in the draft policy. Use of those terms creates vagueness and uncertainty. Such wording must be eliminated and should be replaced by 'shall or will'.

The policy must specify clear incentives. The draft renewable energy policy, in many cases, leaves the development of incentives to the future. In other cases, it is uncertain whether certain incentives to be given or not. So, those incentives which are yet to be fixed must be developed and uncertainty about the remaining incentives must be removed.

A strong cooperation mechanism between SREDA and BERC should be established. The authority to issue licenses for renewable energy projects above 5MW may remain with BERC, given its regulatory expertise. However, clear coordination mechanisms between BERC and SREDA must be established to ensure a unified and efficient approach to project development and implementation.

The policy should include a vision for phasing out fossil fuel plants. The draft policy does not include any vision of phasing out the existing fossil fuel plants. Therefore, it is highly recommended that it includes phasing out plan

Financing options for renewable energy projects must be enhanced. The draft renewable energy policy states that Bangladesh Bank and IDCOL will finance RE projects. However, to support the development of RE infrastructure, financing from both banks and non-bank financial institutions should also be included in the policy

Incentives to attract foreign direct investment (FDI) must be included. There is no mention of FDI in the renewable energy policy draft despite FDI being the prominent source of financing of the RE projects in the country. The draft policy should include incentives for attracting FDI.

The policy should provide grants and subsidies for renewable energy development. The draft policy does not consider proving subsidy for RE development. Subsidy for RE projects should be included in the policy.

The policy should encourage the use of renewable energy in manufacturing. The policy does not promote use of RE for heavy industrial work such as manufacturing. Therefore, specific incentives and guidelines should be introduced to facilitate the integration of RE in industrial operations.

The policy must prioritise grid integration and energy storage in high-demand regions. The policy lacks detail, prioritisation, and financial support for grid integration and energy storage, such as unspecified regions for T&D upgrades and no incentives for energy storage. Prioritise 3-5 high-demand regions like

Dhaka and Chattogram for grid upgrades and introduce tax breaks or subsidies for companies investing in grid-scale battery storage.

The policy must address financial and regulatory challenges. The policy lacks clear deadlines, tariff transparency, and incentives for private sector participation, discouraging investment. The policy should set phased RPO targets (e.g., 10 per cent by 2026, 20 per cent by 2030) and publish a transparent tariff formula based on cost-plus or competitive bidding to attract investors.

The policy must align energy priorities across national strategies. The IEPMP prioritises natural gas and nuclear over renewables, conflicting with the draft policy's 30 per cent renewable target by 2030. Revise IEPMP to include a 30 per cent renewable energy target and mandate energy storage system upgrades to support intermittent renewables like solar and wind.

The draft policy should be made consistent with the National Solar Energy Roadmap (NSER). The NSER (draft) promotes local solar production, but the draft renewable energy policy lacks incentives for domestic manufacturing, relying on imported technology. Introduce subsidies or tax holidays for local solar panel manufacturers and align the draft policy with NSER's floating solar and irrigation pump projects, providing clear funding and timelines.

The policy must connect with climate resilience goals. Delta Plan 2100 emphasises biomass and hydro, while the draft renewable energy policy focuses on solar and wind, missing opportunities for synergy. Integrate Delta Plan 2100's biomass and hydro goals into the draft renewable energy policy and add floating solar projects in flood-prone areas and off-grid solar systems for disaster-prone zones.

Energy storage and grid planning must be adequately addressed. Lack of coordination on energy storage and grid upgrades across plans hinders renewable integration. Develop a national energy storage strategy (e.g., 500 MW of battery storage by 2027) and fund smart grid and microgrid pilot projects in urban and rural areas.

Institutional coordination must be increased. Overlapping duties among SREDA, Power Division, and BERC create misalignment and inefficiencies. Form a joint committee to align the draft energy policy with the IEPMP, NSER, and Delta Plan 2100 and assign clear roles, e.g., SREDA for renewables, BERC for tariffs, and Power Division for grid upgrades.

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