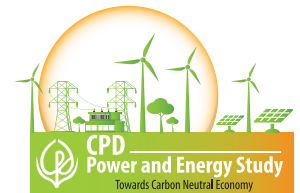


Currents of Change

Quarterly Brief of the Power & Energy Sector of Bangladesh

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January-March 2026



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Highlights

- The new government took the oath on 16 February 2026 with heavy expectations on addressing the macroeconomic challenges, including the power and energy sector
- However, the election manifesto and the 180 days and 5 years plan reflect both hope and despair
- Interim government just before its departure announced draft Energy and Power System Master Plan (EPSMP) 2026, which was criticised because of a lack of internal stakeholders' consultation, discussion and debates
- Share of LNG saw a sharp decline from 42.7 per cent to 28 per cent during March 2026 as import of LNG cargos from Qatar was halted, resulting in a decline in the supply of total domestic gas
- In terms of project approvals, a total of 15 new renewable energy projects were approved during Q3 of FY2026, representing a substantial increase compared to previous quarters
- Since the crisis started in February 2026, Bangladesh economy has been gradually confronting the challenges of fuel shortage, limited foreign revenue, additional payment pressure by power and energy related entities

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1. BACKGROUND

The third quarter (Q3) of FY2026 has been eventful both nationally and globally for the power and energy sector. On 12 February 2026, the national parliament election took place, followed by which the new Prime Minister and cabinet took oath on 16 February 2026. Right after taking the office, when the new government and energy minister were focusing on planning their tenure to rebuild the macro-economic and sectoral health, Israel-Iran war hit the global economy hard by causing a standstill to the fuel supply chain. As a result, the domestic fuel market is also facing a supply shortage due to import constraints and demand surge caused by panic buying, holding and storing. Several policies and operational decisions have been taken to address the crisis moment, such as importing diesel, octane and jet fuel from different countries, oil rationing in petrol pumps, introduction of fuel pass (offline and online app), decision to purchase LNG from the spot market, emphasising domestic gas exploration and so on.

The quarterly is segregated into six broad sections. These are as follows: (i) an overview on the oil shock transmission in Bangladesh; (ii) a brief snapshot of the major policy and operational decisions; (iii) generation, transmission & distribution of the power sector; (iv) demand, supply & exploration in the energy sector; (v) status of renewable energy; and (vi) remarks on the overall health of the power and energy sector during this quarter.

2. OIL SHOCK TRANSMISSION SLOWING DOWN ECONOMIC ACTIVITIES

The on-going crisis in the Middle East has severely affected the energy security of the country. The Government has been trying to address the crisis both through supply and demand side management such as rationing the fuel sale, fuel oil purchasing from alternative sources, LNG purchase from spot market and not increasing the fuel tariff. This short-term energy crisis should not guide the government's crisis management approach in such a direction that Bangladesh derails from the long-term sustainable energy transition pathway.

The fuel crisis is mostly observed in the transportation sector, as long lines in front of the oil pumps have become the new normal. Partially the reason is that Bangladesh's energy supply chains are not properly monitored and have allegations of irregularities at most of the segments of the supply chain. These include: (a) fuel adulteration through mixing with cheaper substances (kerosene, solvents) due to weak quality monitoring; (b) over-reporting of evaporation losses at facilities like Eastern Refinery Limited to conceal diversion; (c) leakage of fuel during transport and distribution into unauthorised/black markets and (d) lack of real-time tracking, auditing, and enforcement across the supply chain, leading to systemic corruption. The current oil crisis in Bangladesh is more of a result of these domestic supply chain irregularities than the global supply disruptions due to the US-Iran conflict.

With that being said, it cannot be denied that Bangladesh is not able to import adequate oil, LNG and LPG as the Strait of Hormuz remains closed. Over the first month since the conflict began (following 28 February 2026), Bangladesh imported fuel through 11 vessels, bringing in 349,000 tonnes of fuel oil (Diesel: 280,000 tonnes and 22,000 tonnes of diesel arrived via pipeline from India, Jet fuel: 22,000 tonnes, Furnace oil: 25,000 tonnes) (Chowdhury, 2026). A total of eight scheduled oil vessels carrying approximately 385,000 tonnes (diesel: 160,000 tonnes, crude oil: 200,000 tonnes and jet fuel: 25,000 tonnes) failed to arrive. Against which domestic sales have increased, with the panic buying tendency during the crisis. By the end of this quarter, total fuel stock in Bangladesh will be 192,919 tonnes (all types combined). The diesel stock of 128,939 tonnes will suffice 10-11 days of demand, the octane stock of 7,940 tonnes will meet demand up to 7 days, and petrol will meet up to 8 days of demand.

Bangladesh has a long-term LNG import contract with several global suppliers and QatarLNG is one of them. QatarEnergy supplies over 3.5 million tonnes per annum (MTPA) of LNG to Bangladesh under two long-term 15-year contracts (signed in 2017 and 2023). Since the war started, the import of 14 LNG cargoes has been halted, each containing 3.36 million mmbtu. As a result, the current stock of LNG stands at 97,917 cubic meters (as of 5 April 2026), which will last for only 3-4 days.

The Ministry of Power Energy and Mineral Resources (MoPEMR) is paying a hefty amount of extra for oil and LNG imports. Daily oil subsidy stands at BDT 200 crore. The cost of importing 114 cargoes of LNG was BDT 42,000 crore in 2024-25. This fiscal year, the estimated cost was BDT 60,582 crore. Given the prevailing crisis, BDT 97,000 crore will be needed (additional BDT 36,418 crore) for FY2026.

A CPD study¹ finds that the economy may experience a short-term deceleration, with growth slowing by up to 0.5 percentage points due to rising costs. This adjustment is expected to be accompanied by a gradual increase in inflationary pressure (potentially reaching 13.6 per cent) alongside significant exchange rate depreciation over the next 1–3 years and a persistent rise in interest rates (Up to 5 percentage points).

3. MAJOR DECISIONS TAKEN DURING JANUARY-MARCH 2026

Policy Decisions: During Q3 of FY2026 (January–March 2026), policy decisions in Bangladesh's energy and power sector were largely driven by heightened global fuel market uncertainty and domestic supply risks, particularly amid geopolitical tensions in the Middle East (Figure 2). Compared to the previous quarter (Figure 1), the policy focus shifted more decisively towards energy import security, price stabilisation, and demand management, with relatively limited emphasis on renewable energy expansion. Overall, the quarter reflects a crisis-responsive policy stance, prioritising short-term supply continuity alongside selective long-term reforms.

Policy actions were heavily concentrated on the areas of energy import and pricing. The Bangladesh Energy Regulatory Commission (BERC) implemented multiple adjustments in LPG and jet fuel prices in response to international market fluctuations. To stabilise the market, the government considered BPC-led LPG imports and introduced fiscal measures, including the removal of 7.5 per cent VAT and 2 per cent advance tax at local production and trading stages. Efforts to secure fuel supply intensified during the quarter. The government approved the procurement of LNG cargoes through G2G arrangements and pursued diversification of import sources by engaging with countries such as China, Kazakhstan, and Nigeria. In parallel, diesel imports were secured through direct procurement to address immediate demand. However, global price volatility significantly increased import costs, prompting the government to allocate an additional BDT 24,000 crore, largely for LNG and petroleum imports, indicating rising fiscal strain.

Earlier, the interim government approved a 25-year energy roadmap (EPSMP-2026) aimed at reducing import dependence, expanding domestic gas exploration, and promoting renewable energy. However, the plan projects significantly higher demand levels for 2040 (40,836 MW) and 2050 (59,351 MW), raising concerns of demand overestimation and the risk of creating persistent excess generation capacity, which could further

¹The finding mentioned here are derived from a debriefing session organised by the Centre for Policy Dialogue (CPD) with diplomats, where CPD presented a power point presentation titled 'Power and Energy Sector of Bangladesh: Structural Challenges and Recent Crisis'.

Figure 1 Government and Government Relevant Authorities' Action Focus Point During October-December 2025

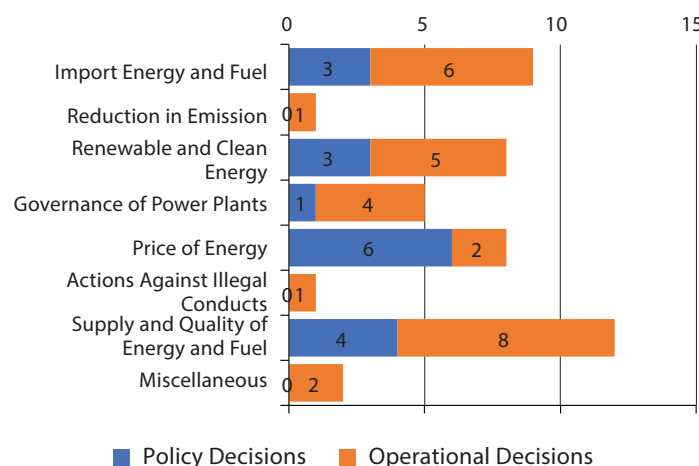
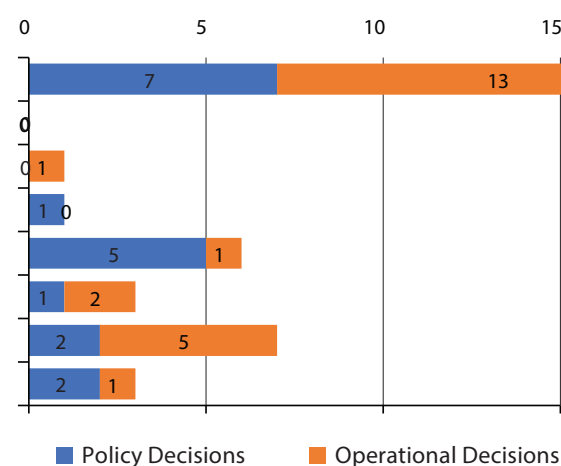


Figure 2 Government and Government Relevant Authorities' Action Focus Point During January-March 2026



Source: Authors' compilation of various newspapers and relevant government websites.

deepen financial stress in the power sector. The roadmap is structured in three phases, but the placement of grid modernisation in the third phase indicates limited prioritisation of system readiness in the earlier stages, reflecting gaps in sequencing and planning logic.

The near-term policy signals indicated a shift towards increased coal-based generation to mitigate a projected 1,800 MW electricity shortfall risk. In terms of governance, the National Review Committee recommended revisiting or renegotiating existing power purchase agreements, including the Adani Power

contract, signaling stronger oversight of legacy energy deals and a push towards cost rationalisation and transparency. Policy interventions also addressed consumer protection and system efficiency. A 20 per cent electricity tariff rebate was introduced for marginal agricultural and livestock producers, and a digital fuel distribution system was proposed to improve monitoring and reduce hoarding. Demand-side management measures were also considered to manage anticipated energy shortages.

Operational Decisions: Operational decisions during Q3 FY2026 increased significantly, reflecting an intensified crisis

Review of BNP Manifesto on Power and Energy Sector: Prior to the 13th national election, Bangladesh Nationalist Party (BNP), which formed the new government, had proposed a number of electoral pledges in its manifesto to improve sectoral health. After taking the office, the government published a detailed plan for 100 days and for the next five years of power and energy sector. The manifesto on the power and energy sector presents a reform-oriented agenda that combines efficiency-driven restructuring with a cautious approach to energy transition, yet it remains only partially aligned with a comprehensive renewable energy and grid modernisation pathway. On the positive side, it put emphasis on least-cost generation planning, tariff rationalisation, contract transparency, energy audits, and reduction of import dependency, which collectively indicate a strong focus on improving governance and financial sustainability in the sector. It also incorporates several renewable energy-related initiatives, including a target of 20 per cent renewable energy by 2030. However, several structural concerns remain evident in its planning assumptions and transition strategy. The pledge to expand generation capacity to 35 GW by 2030 under a 'least-cost' framework appears to replicate earlier tendencies of demand overestimation. Furthermore, although the manifesto references smart grid development, its treatment of broader grid modernisation remains limited. The plan has laid out future directives for domestic gas exploration through strengthening BAPEX. LNG imports and establishment of further LNG import infrastructure are also mentioned in their manifesto and 5 years plan. Above all, the most concerning issue still prevails as the newly discovered need for coal exploration of the ministry. Even the BNP in their manifesto and the new government in their plan for 100 days have included domestic coal exploration as a priority project in the energy system. Doing so will just signal that Bangladesh appears to be "moving backwards" in terms of energy transition.

response to fuel supply disruptions, price volatility, and system stress driven by geopolitical tensions. Compared to the previous quarter, operational actions were more frequent and focused on short-term supply stabilisation, emergency procurement, enforcement, and financial management of the power sector.

A major share of operational interventions was concentrated in LPG and gas supply management, as domestic markets faced acute volatility. The LPG sector experienced severe disruption, with 12kg cylinder prices rising from BDT 1,253 to BDT 2,000 and widespread scarcity reported in retail markets (Noyon, 2026). Import flows increased in response, with 91,000 tonnes imported between 1–21st February, reflecting a 44 per cent rise compared to January 2026. LNG imports were also significantly expanded, including four vessels carrying 247,000 tonnes and additional shipments secured for April, although continued reliance on high-cost spot LNG exposed persistent supply vulnerability.

Liquid fuel security was reinforced through large-scale emergency imports. The Bangladesh Petroleum Corporation (BPC) secured 2.80 lakh tonnes of diesel, with an additional 1 lakh tonnes in process, against a monthly demand of 3.80 lakh tonnes. Multiple shipments from Singapore and India (5,000 tonnes), including pipeline-based imports through the Bangladesh–India Friendship Pipeline, helped maintaining supply continuity. Temporary fuel rationing measures were introduced during peak uncertainty but were later withdrawn which was not found to be justified due to shortage of fuel.

Operational actions also focused on power sector financial stability and system reliability. The government-initiated clearance of over BDT 20,000 crore in arrears owed to independent power producers (IPPs) to avoid generation disruption and potential load shedding. The BPDB also settled USD 30 million with Adani Power to reduce immediate supply risk. At the same time, arbitration proceedings with Adani Power reflected ongoing efforts to manage contractual disputes affecting electricity pricing and supply reliability. In the generation segment, some IPPs began transitioning towards renewable energy, including small-scale solar projects, indicating gradual diversification in response to contractual changes and evolving market conditions.

To maintain system integrity, enforcement measures were strengthened through mobile court operations targeting illegal fuel hoarding and pricing violations. Demand-side controls were also applied during periods of heightened supply stress. The operational decision overall reflects a high-intensity crisis management phase, combining emergency procurement, financial stabilisation, strict enforcement, and adaptive demand control, while exposing continued structural dependence on imported fuels and external market conditions.

4. GENERATION, TRANSMISSION & DISTRIBUTION OF THE POWER SECTOR DURING JANUARY-MARCH 2026

Generation: During the new quarter, the installed power generation capacity of the country reached 32,332 MW (on grid and off grid). The peak energy generation of 324 MKWh was recorded on March 6th, and maximum power demand was 12,749 MW on that day while the lowest energy generation of 171.7 MKWh occurred on February 12th, and maximum power demand was 8,261 MW on that day (Figure 3).

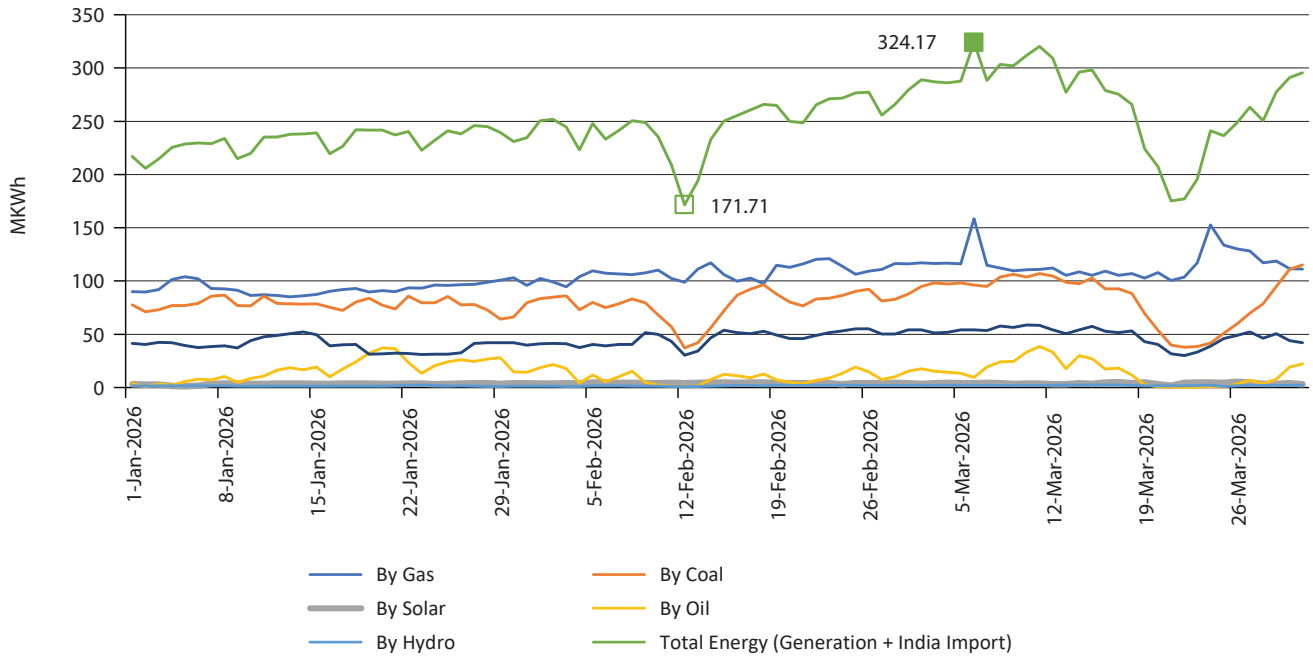
As winter ended, all kinds of fuel use have surged. As usual, gas-based electricity generation was a somewhat consistent source as the cost of electricity generation from domestic gas is still the lowest. It shows a declining output until March 2026, fluctuating between 158.6 million kWh and 85.1 million kWh. Coal-based electricity generation also increased, though slightly lower than gas. It ranges between 115 million kWh and 37 million kWh, showing minor fluctuations throughout the period. Oil-based electricity generation is significantly low, fluctuating between 38.6 and 0.026 million kWh per day. There was a short spike in oil-based price generation during 10-12 March 2026, which was due to meet the excess demand at that time. Solar and hydropower-based electricity generation are minimal compared to other sources and are considered the least contributing sources of electricity generation. Notably, electricity generation reached its lowest level on 12 February 2026, the national election day, indicating reduced energy demand as citizens participated in voting activities.

Oil costs show the greatest fluctuation throughout the quarter (Figure 4). The sharp increase in international fuel costs was primarily driven by heightened geopolitical tensions in the Middle East, particularly around key transit routes such as the Strait of Hormuz, which introduced significant supply uncertainty and risk premiums into global oil markets.

Additionally, PDB procures furnace oil from BPCL while private power producers import it directly. Although global oil prices have declined over the past 1.5 years, domestic prices have remained unchanged since BPCL's last adjustment on 2 August 2024. As a result, PDB pays BDT 86 per litre, while private plants pay about BDT 70, raising PDB's generation costs.

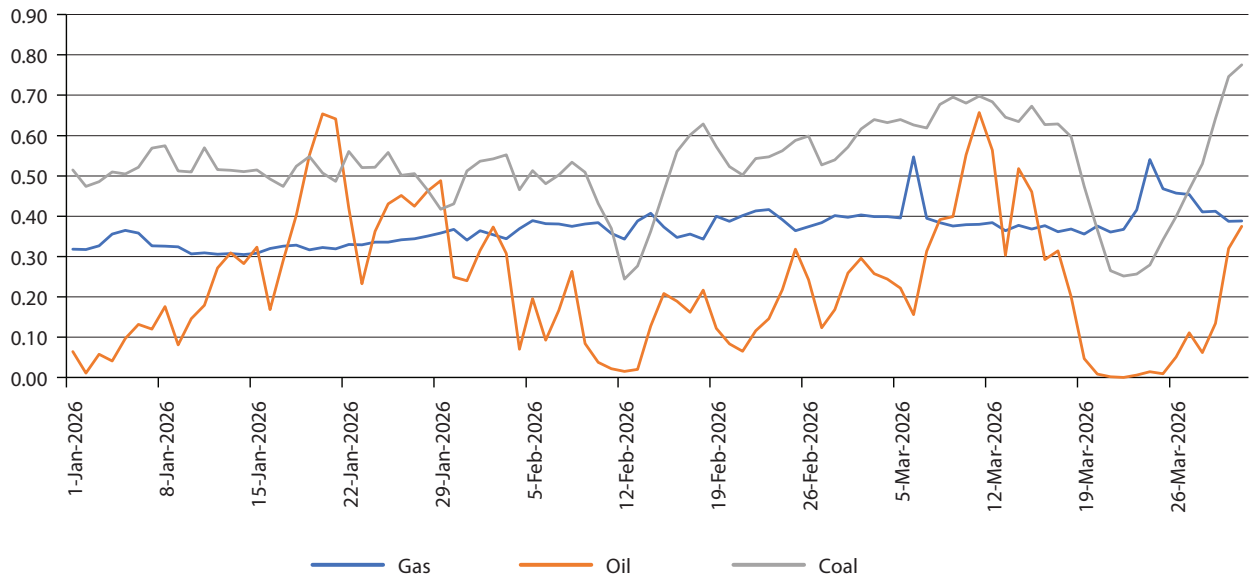
Figure 5 illustrates the daily per-unit cost for electricity generation for this quarter. Despite natural gas maintaining the lowest per-unit cost among all fuels, its utilisation in power generation has been suboptimal as the supply of gas has declined in recent years.

Figure 3 Per Day Energy Generation by Different Fuel (MKWh)



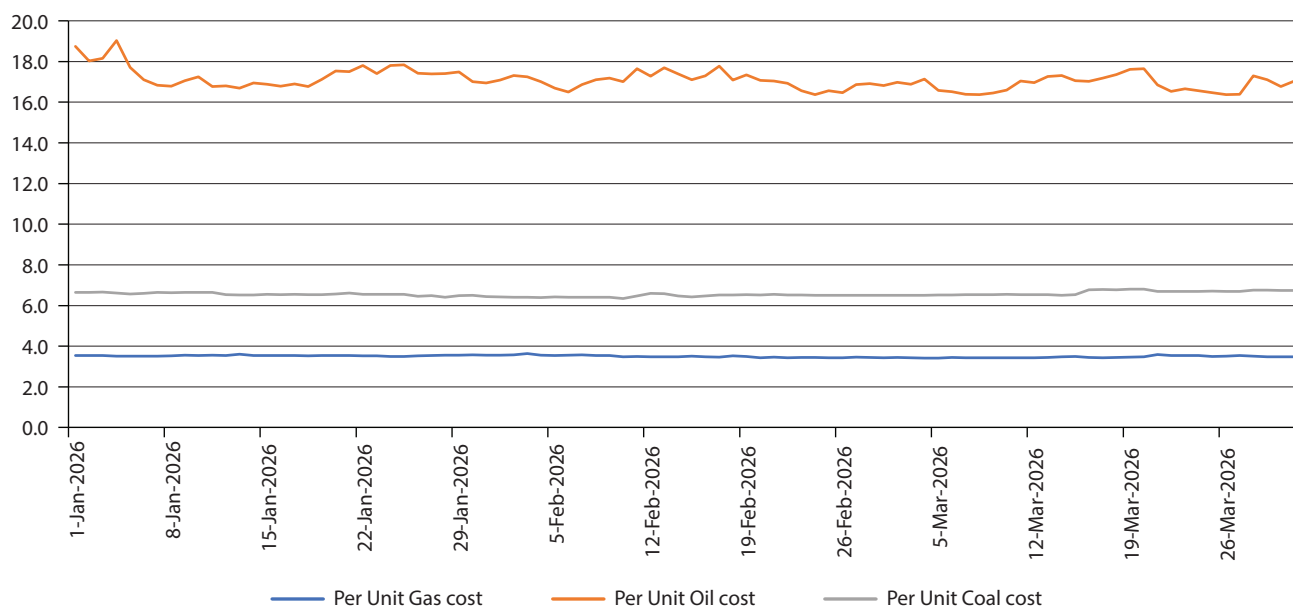
Source: BPDB daily generation report.

Figure 4 Fuel Cost (Billions BDT)



Source: BPDB daily generation report.

Figure 5 Per Unit Fuel Cost for Electricity Generation (BDT/Unit)



Source: Authors' calculation from BPDB daily generation report.

Table 1 Progress in Transmission-Distribution System

Indicators	Start of Q3 (Jan'26)	End of Q3 (Feb'26)	Change in %
Transmission lines (Circuit Km)	17,691	17,923	1.31
Distribution lines (Km)	654,644	655,422	0.12
Grid sub-station capacity (MVA)	84,522	86,951	2.87

Source: BPDB.

Note: BPDB's monthly progress report is yet to be published for the month of March at the time of this quarterly report publishing, and hence the entire scenario of the progress could not be represented.

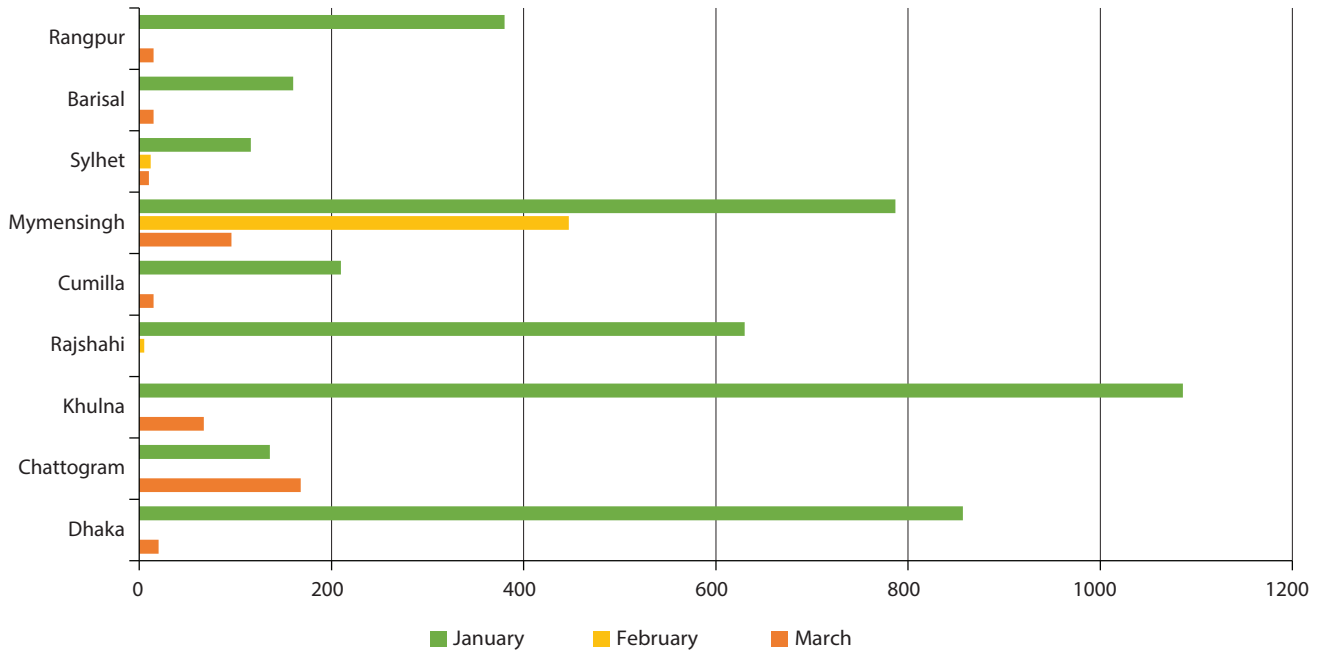
Transmission and Distribution: During the current quarter, Bangladesh's transmission network has expanded to 17,691 circuit kilometres, while distribution lines covered 654,644 kilometres (Table 1). The grid substation capacity stood at 84,522 MVA. By the end of February 2026, transmission lines had further extended to 17,923 circuit kilometres, with distribution line coverage extending to 655,422 kilometres. The grid substation capacity increased to 86,951 MVA by the end of February. During these two months, transmission lines expanded by 1.3 per cent in circuit kilometres and distribution lines expanded by 0.12 per cent. Additionally, grid substation capacity increased significantly by 2.9 per cent.

Load Shedding: Despite the chilly weather, the electricity demand–supply gap widened sharply from zero in December 2025 to 4,362 MW in January 2026 (Figure 6). The dramatic spike

might be attributed to plants being under maintenance and a gas supply shortage. The Bangladesh Power Development Board (BPDB) has cautioned that electricity supply may face immediate disruption, increasing the likelihood of load shedding, if for example, a major IPP company halts generation over outstanding dues of more than BDT 4,000 crore remaining unpaid by 15 January 2026.

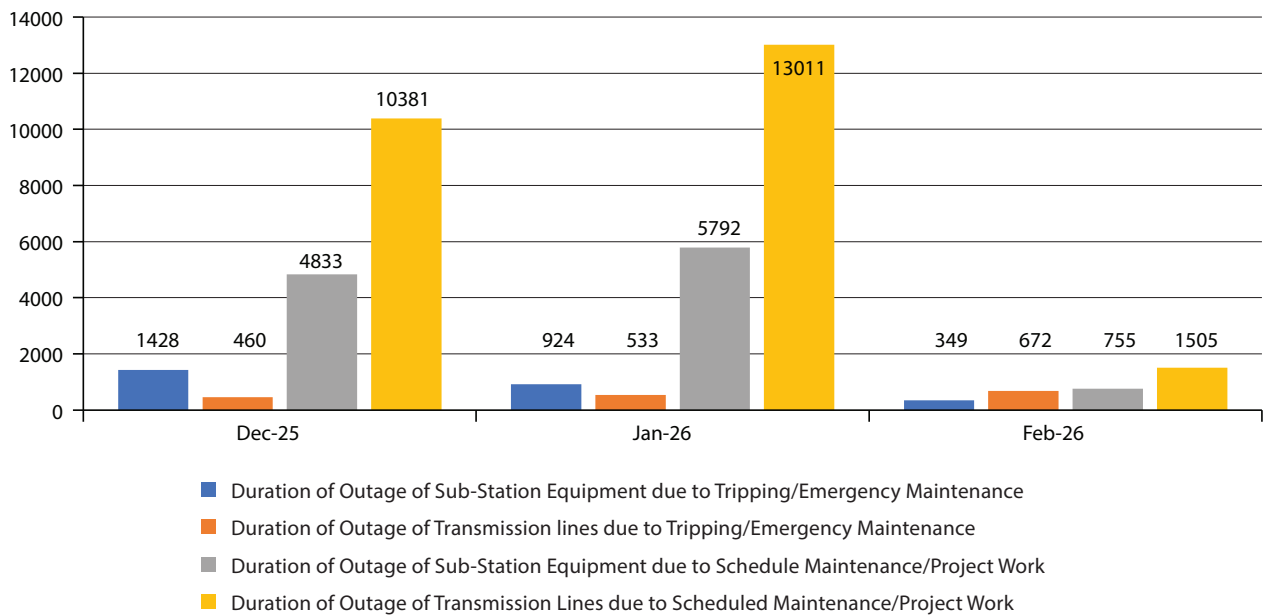
While there was 'zero' load-shedding across the country in December 2025 from the generation's end, some areas experienced load-shedding from the transmission and distribution's end. Figure 7 summarises the monthly outage durations due to emergency and scheduled maintenance during December 2025 to February 2026, categorised by sub-station equipment and transmission lines. Outage due to tripping or emergency maintenance of sub-station equipment

Figure 6 Zone-wise Load-shed at Evening Peak (Generation end) in MW



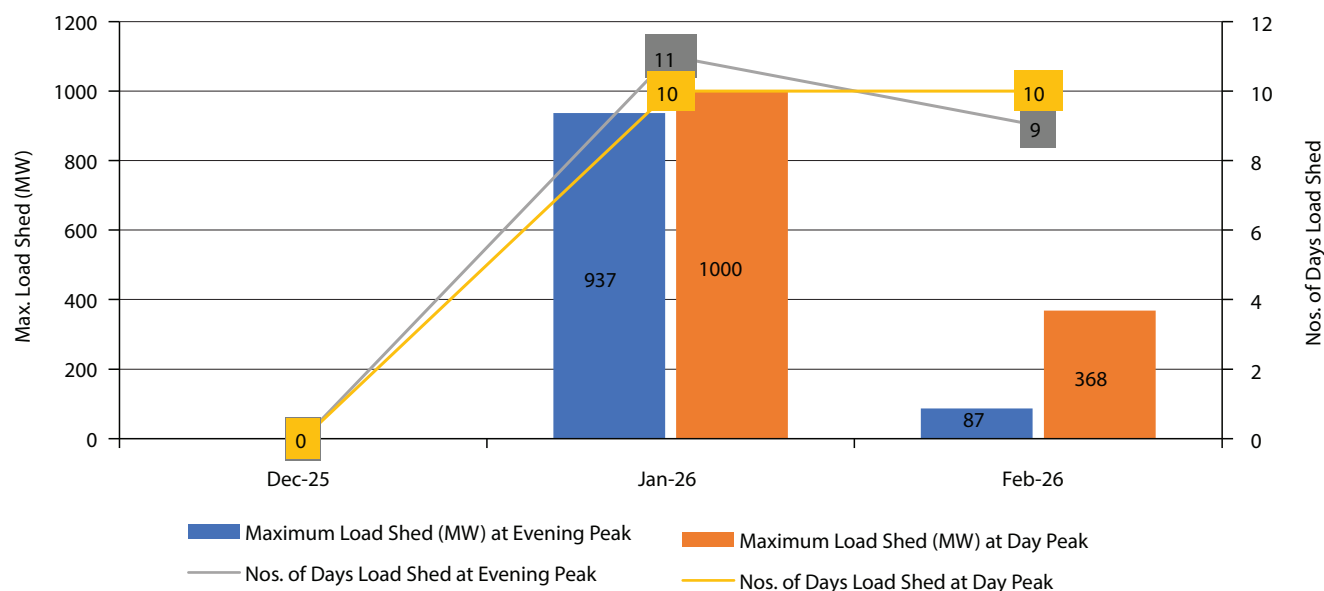
Source: BPBD daily generation archive.

Figure 7 Summary of Monthly Tripping and Outage (EMERGENCY & SCHEDULED)



Source: PGCB operation monthly reports.

Figure 8 Monthly Load Shedding Pattern (Sub-station end)



Source: PGCB operation monthly reports.

has been consistently on the rise from the last quarter until February 2026.

Figure 8 represents the monthly load-shedding pattern at the sub-station end from December 2025 to February 2026. It includes: the maximum load shed, and the number of days load shedding occurred at both the evening and day peaks. On 21st January 2026 the highest load shedding at evening peak was recorded in Bangladesh, which dramatically dropped again in February

2026 due to seasonality. Even though in January and February, the number of load shedding days is similar, the power shortage scenario between these two months is anything but close.

Fossil Fuel Phaseout and New IPPs

During this quarter, no IPPs were decommissioned, but a 10 MW solar power plant in Moulvibazar, which became operational in January 2026 (Table 2).

Table 2 Status of Fossil Fuel Phase-out (January-March 2026)

Fuel		Gas		Coal		Oil		Renewables	
		Number	Capacity	Number	Capacity	Number	Capacity	Number	Capacity
Contract Expired IPP	January	0	0	0	0	0	0	0	0
	February	0	0	0	0	0	0	0	0
	March	0	0	0	0	0	0	0	0
New IPP	January	0	0	0	0	0	0	1	10
	February	0	0	0	0	0	0	0	0
	March	0	0	0	0	0	0	0	0

Source: BPDB.

5. DEMAND, SUPPLY & EXPLORATION IN THE ENERGY SECTOR DURING JANUARY-MARCH

Gas Demand and Supply: During January–March 2026, gas supply (including LNG) remained stable in the early part of the quarter but became highly volatile towards the end (Figure 9). Total supply ranged from a high of 2,689.7 mmcf (3 February 2026) to a low of 1,612.8 mmcf (23 March 2026).

In January and early February 2026, supply remained within 2,550–2,680 mmcf, with LNG contributing 32–36 per cent (around 830–950 mmcf), indicating a relatively balanced reliance on domestic gas. A temporary disruption occurred in mid-February, when supply dropped sharply due to reduced LNG availability, though it recovered quickly.

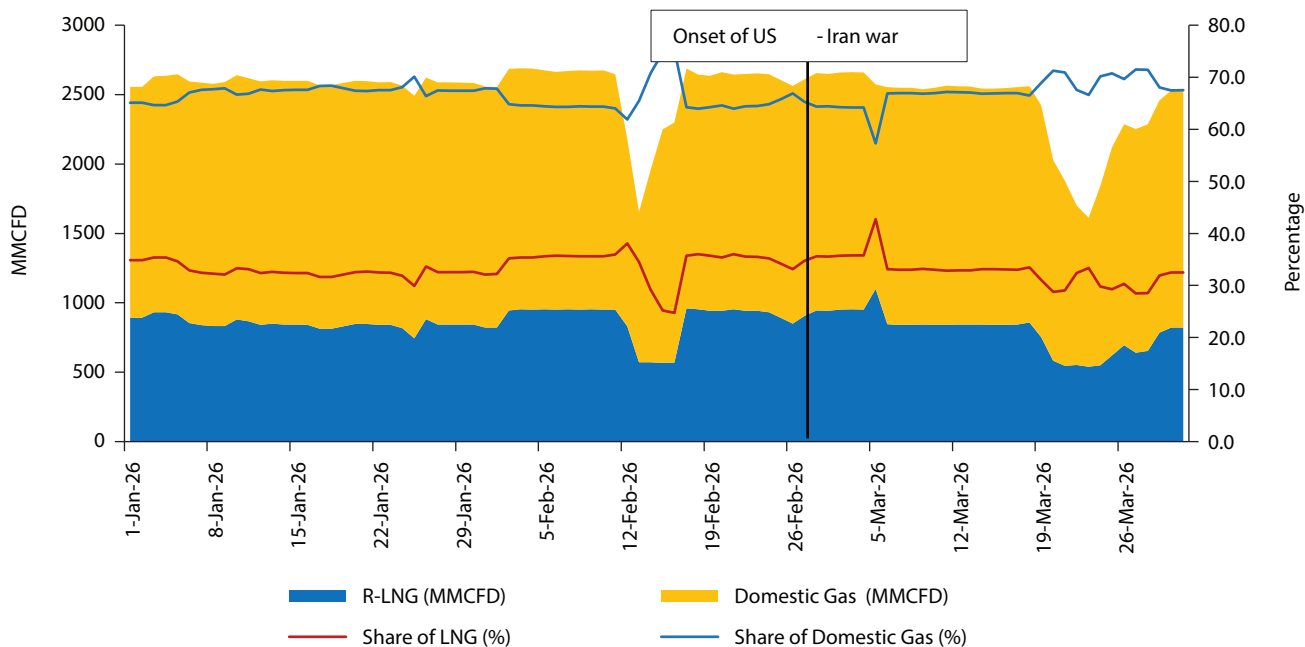
Following the escalation of the US–Iran conflict in late February, a two-stage adjustment was observed. LNG imports surged briefly in early March, reaching 1,100 mmcf (42.7 per cent share) on 5 March, suggesting precautionary procurement. However, this was followed by a sharp decline in mid-to-late March 2026, when LNG supply fell to 538.3 mmcf and total supply dropped to 1,612.8 mmcf. The LNG share declined to 28–33 per cent, reflecting reduced availability rather than increased domestic output.

Gas Exploration: Domestic gas exploration activities during January–March 2026 showed limited but noticeable progress, largely reflecting the continuation of previously approved initiatives rather than any major new breakthroughs (Figure 9). BAPEX and Petrobangla continued drilling and workover operations, with plans to expand exploration through additional wells and increased rig deployment. Reports indicate that Petrobangla aims to operate up to 11 rigs simultaneously and drill a large number of wells in the coming years to boost domestic supply.

During the quarter, some modest progress was observed. For instance, gas from the Srikail-5 well was added to the national grid in March 2026, contributing around 8 mmcf, indicating incremental gains from ongoing field development. Similarly, earlier discoveries such as the Jamalpur structure are being further assessed through additional planned wells. However, these additions remain relatively small in scale.

At the same time, exploration initiatives, such as drilling deep wells under government-approved projects, remained under implementation, with timelines extending over multiple years. This indicates that while policy emphasis on domestic exploration continues, tangible outcomes in terms of substantial new supply remain limited in the short term.

Figure 9 Domestic Gas and LNG supply



Source: Petrobangla daily gas data.

LNG Import: LNG is observed taking a major share in Bangladesh’s gas supply during January–March 2026, with procurement continuing through both long-term contracts and spot purchases. Imports were relatively stable in the early part of the quarter, which helped maintain the overall supply levels amid declining domestic production.

Following the escalation of geopolitical tensions in late February 2026, global LNG market conditions became more uncertain. A total of 14 cargoes worth of LNG shipments have been cancelled since the US-Iran war started. By mid-to-late March 2026, LNG imports declined, likely reflecting tighter global supply conditions and increased price pressures, which constrained procurement. Since the onset of the war, RPGCL has imported USD 60 million worth of LNG.

The drop in LNG availability had an immediate impact on total gas supply, highlighting the system’s sensitivity to external shocks. Continued reliance on LNG, particularly from the spot market, also maintained fiscal pressure on RPGCL as it would require approximately USD 4.5 to 7.5 billion for imports in the next fiscal year.

6. RENEWABLE ENERGY DEVELOPMENT DURING JANUARY-MARCH 2026

Progress of Renewable Energy During January-March 2026

In terms of project approvals, a total of 15 new renewable energy projects were approved during Q3 of FY2026 (Table 3), representing a substantial increase compared to previous quarters and signaling a strong revival in pipeline development. The biggest of these projects is the 200 MW solar plant being built in Fatikchhari, which is being sponsored by a private company. This sharp rise reflects renewed policy attention

and growing institutional emphasis on expanding renewable energy capacity, which is a positive step towards achieving medium- to long-term energy transition goals. However, despite this encouraging progress at the approval stage, the overall implementation landscape remains weak and inconsistent.

No renewable energy projects became fully operational during the quarter, either on time or with delays, indicating a continued absence of tangible capacity in addition to the grid. This persistent gap between planning and execution highlights ongoing structural and administrative challenges that continue to hinder timely project deliver. Furthermore, no projects entered the construction phase, suggesting that previously approved or planned projects have yet to translate into physical progress, raising concerns regarding bottlenecks in project mobilisation, financing, and grid readiness.

At the same time, two projects were recorded as delayed, reinforcing the pattern of implementation inefficiencies observed in earlier quarters. Only one project, a 10MW solar plant in Moulvibazar achieved partial operation, although with delay, which further underscores the slow pace of project execution. The lack of progress among projects previously categorised under ‘construction starts’ suggests stagnation in ongoing developments, limiting near-term prospects for renewable energy expansion.

Overall, while the significant increase in project approvals represents a notable and positive development, the Q3 performance demonstrates that weak execution, continued delays, and zero fully operational additions remain critical constraints. Without addressing these persistent structural and institutional barriers, the expanding pipeline of approved projects may not effectively translate into actual generation capacity, thereby slowing Bangladesh’s progress towards its renewable energy targets.

Table 3 Progress Status of Renewable-Based Power Plants Scheduled to Operate Commercially in 2025 (during January–March 2026)

Progress Status	Number of Power Plants in Q1 of FY26	Number of Power Plants in Q2 of FY26	Number of Power Plants in Q3 of FY26
Fully Operational on Time	1	0	0
Fully Operational but Delayed	0	0	0
Partially Operational but on Time	0	0	0
Partially Operational but Delayed	0	0	1
Delayed	1	5	2
Construction Starts	8	8	0
Projects Approved	0	1	15

Source: Autho’s calculation based on BPDB monthly reports (january-march 2026).

Renewable Energy Financing During January-March 2026

During January–March 2026, renewable energy financing in Bangladesh showed limited and increasingly constrained progress, shaped by both domestic structural challenges and external energy market disruptions. While discussions around investment mobilisation and policy support continued, large-scale financial closures remained scarce, indicating slow advancement in financing frameworks. Commercial banks remained cautious due to concerns over project viability and uncertainty in power purchase arrangements.

Financing conditions were further affected by external energy market volatility. Rising global fuel and LNG prices, partly driven by geopolitical tensions, increased fiscal pressure and are expected to add approximately BDT 36,000 crore in subsidy requirements to stabilise the energy sector. In response, Bangladesh sought over USD 2–2.5 billion in external financing from multilateral institutions including the IMF, World Bank, and ADB, reinforcing a short-term reliance on fossil-fuel-linked financing, which may crowd out renewable energy investment.

Within the renewable sector, activity remained limited to a few developments rather than broad financial acceleration. BPDB advanced financing for a 442 MW solar project in Rampal worth BDT 2,502 crore (~\$208 million), though such utility-scale closures remain rare. Following the election in February 2026, BNP aligned to raise renewables to 20 per cent via accelerated clean capacity additions. This will require enhanced the annual flow of investment by 4.1 times and mobilising private and international capital on scale. Separately, in March 2026, City Bank PLC signed an MoU with UNDP on a proposed green bond initiative, signaling early-stage capital market interest rather than executed financing.

Overall, while policy discussions around CPPAs, streamlined approvals, and green funds continued, persistent regulatory uncertainty and weak contractual frameworks continued to limit private-sector renewable energy financing momentum.

7. FOLLOW-UP OF THE PREVIOUS QUARTER

While the third quarter of FY2026 began on a relatively stable footing similar to the preceding quarter, external shocks, particularly the US–Middle East oil market disruption, prompted a shift in policy priorities. In response, the government adopted a series of reactive measures primarily aimed at ensuring energy import security, stabilising domestic prices, and managing demand. However, these short-term interventions were pursued with comparatively limited emphasis on advancing renewable energy expansion.

Despite this constrained policy focus, there were modest developments on the renewable front. Notably, one new renewable power plant was commissioned, and 15 additional renewable energy projects received approval during the quarter. Nonetheless, persistent implementation inefficiencies continue to constrain progress.

As illustrated in Figure 10, the overall trajectory of the power and energy sector from an energy transition perspective reflects these mixed dynamics. Although the government’s policy stance was understandably influenced by the exigencies of the global fuel crisis, the resultant shift in focus appears to have come at the cost of transition momentum. Overall progress towards energy transition goals remains weaker compared to the previous quarter (Figure 11).

Figure 10 Energy Transition Readiness Assessment During Q3, FY2026

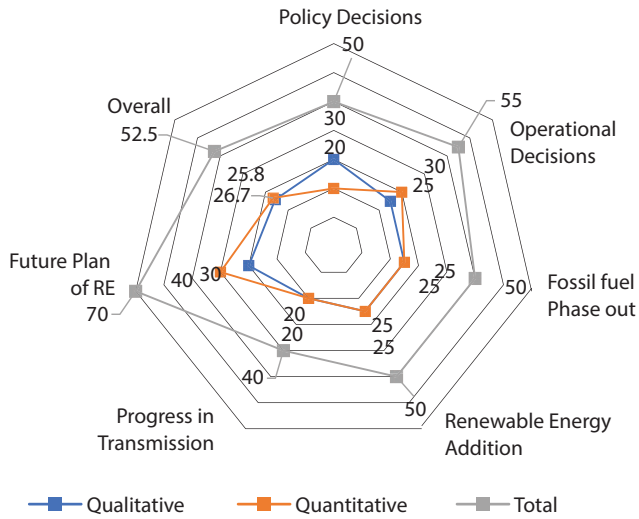
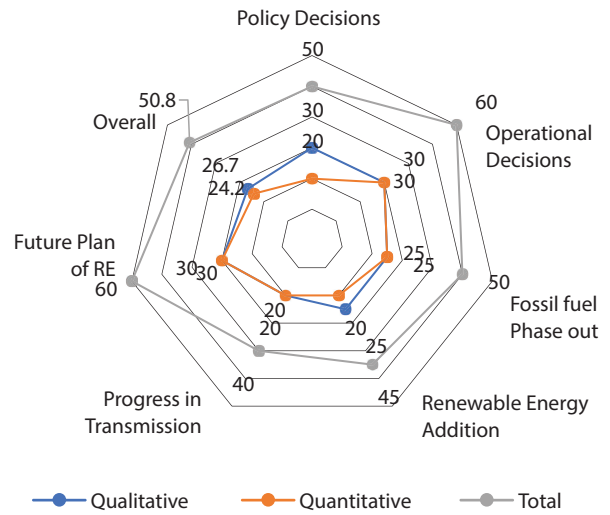


Figure 11 Energy Transition Readiness Assessment During Q2, FY2026



Source: Authors' illustration.

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