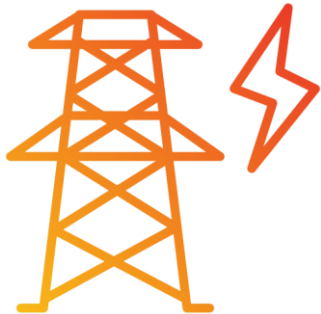


**CPD Power and Energy Briefing on**

**Fiscal Discrimination between Fossil Fuel and Renewable Energy: Alternate Solutions to Address the Energy Crisis**

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# **1. Background and Objectives**

# 1. Background and Objectives

- **'Green Fiscal Policy'** has been increasingly referred and applied across the world
  - With a view to **mitigating climate change** and ensuring **environmentally sustainable** practices through government's **fiscal measures**
  - These include different types of **policy instruments** including revenue and expenditure related measures
- **'Fiscal discrimination'** between fossil fuel and renewable energy towards favouring fossil fuel adoption and expansion is rather portrayed an **extreme opposite** of green fiscal policy
- In Bangladesh's energy policy and energy market such fiscal discrimination has been portrayed
  - It **favours fossil fuel** over renewable energy in case of generation, transmission and distribution
  - Make renewable energy **artificially 'less competitive'** for consumers, investors, financiers and public agencies
- According to CPD (2026), over the years **fossil-fuel based** power generation projects **received over 95% of annual development budget** where the share of renewable energy-based power generation projects is less than 5%

# 1. Background and Objective

- Such fiscal discrimination in favour of fossil fuel over renewable energy has significant **impact on consumer's choices** as well
  - In terms of **energy-mix** in electricity generation, **investment** in electricity generation both under utility scale and distributed renewable energy based- power generation, type of **fuel-use in transport**, investment in EVs, **investment in industrial rooftop** and ago-voltaic
- The **core objective** of this study is **four-fold**
  - To **detail out fiscal structures** (tax, VAT, different tariffs at import stage, fees, charges and commission at import and domestic levels) related with **fossil fuel** (fuel, infrastructure and machinery) and **renewable energy** equipment
  - To identify the specific **discriminatory fiscal treatments** between fossil fuel and renewable energy
  - To **calculate to what extent fossil fuel businesses**, enjoy extra financial value from the preferential fiscal policies, Tax/ VAT exemption, duty waiver
  - To put forward necessary suggestions for **implementing green fiscal policy** in the country by **gradually withdrawing** favourable fiscal measures towards fossil fuels and **adopting** favourable fiscal measures for renewables

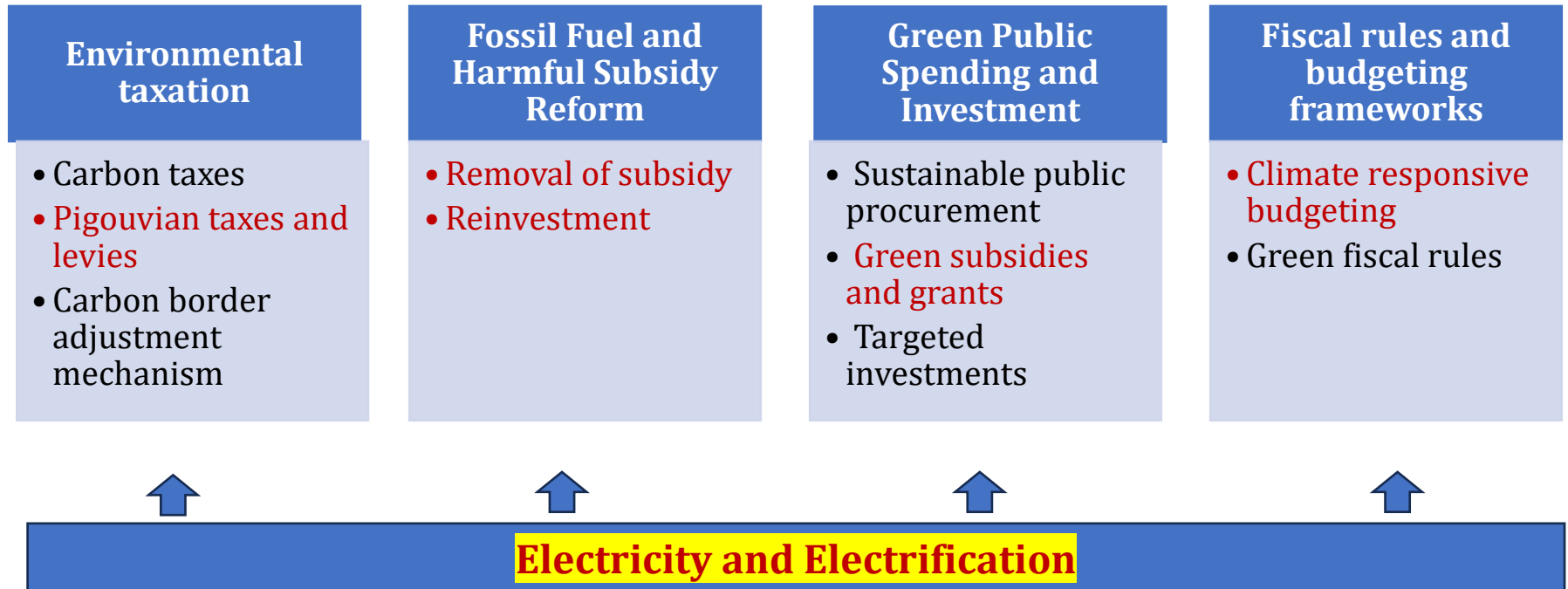
## **2. Analytical Frame**

## 2. Analytical Frame

- Green Fiscal Policy usually have instruments to promote environmental sustainability, climate mitigation for decarbonization and sustainable development
  - The green fiscal policy includes four different types of instruments which include (a) **environmental taxation**, (b) **fossil fuel and harmful subsidy reform**, (c) **green public spending and investment** and (d) **fiscal rules and budgeting frameworks**
- **Environmental taxation** includes carbon taxes, pigouvian taxes and levies, carbon border adjustment mechanisms
- **Fossil fuel and harmful subsidy reform** includes **removal of subsidy and reinvestment**
- **Green public spending and investment** includes **sustainable public procurement**, green subsidies and grants **and targeted investments**
- **Fiscal rules and budgeting frameworks** include **climate responsive budgeting** and green fiscal rules

## 2. Analytical Frame

Figure 1: Green Fiscal Policy Related Instruments



## **3. Methodology**

# 3. Methodology

## 3.1 Study Coverage

- **50 power and energy sector** products examined
- **7 technology categories:** (a) Solar, (b) Wind, (c) Energy Storage, (d) Electric Vehicles, (e) Grid & Transmission Infrastructure, (f) Fossil Fuels, and (g) Fossil-Fuel-Based Power Generation Equipment
- **Import-stage taxes** compiled per product: CD, SD, VAT, AIT, RD, and AT using the data from NBR's operative tariff of FY25-26
- **Product-wise import data for 2024** from BBS Foreign Trade Statistics

**Table 1: Distribution of Energy-Related Products Across the Electricity Supply Chain**

Supply Chain Stage	Components / Technologies Covered	No. of Items
<b>Fuel Supply</b>	Crude oil, diesel oil, furnace oil, fuel oil, LNG, natural gas, propane, butane, coal	15
<b>Power Generation Equipment</b>	Solar PV cells, solar PV modules, photovoltaic generators, solar inverters, wind generating sets, gas turbines, steam turbines, turbine parts	12
<b>Energy Storage</b>	Lithium-ion batteries, electric accumulators, primary manganese dioxide batteries	3
<b>Grid &amp; Transmission Infrastructure</b>	Transformers, copper wire, conductors, switchgear, circuit breakers, isolating switches, transmission towers, electricity meters	11
<b>End-use / Distributed Energy Applications</b>	Solar water heaters, solar-powered desalination plants, solar lanterns, solar lamp parts, insulated solar water storage tanks	5
<b>Electric Mobility</b>	Electric cars, electric three-wheelers, electric two-wheelers, battery-operated vehicles	4
<b>Total</b>		<b>50</b> <sup>7</sup>

# 3. Methodology

## 3.2 Analytical Steps

- **TTI Calculation:**

All applicable taxes cascaded on CIF import value to derive Total Tax Incidence (TTI) per product

- **Revenue Estimation:**

TTI applied to 2024 import values to estimate government revenue generated from each product category

- **Comparative Assessment:**

Fiscal burden and revenue implications compared across RE technologies, fossil fuels, and conventional power equipment

- **Financial value estimation of preferential fiscal policies and structure:**

The amount of extra financial value fossil fuel power plants indirectly receive because of preferential government policies, Tax/ VAT exemption, duty waiver, subsidy and grants

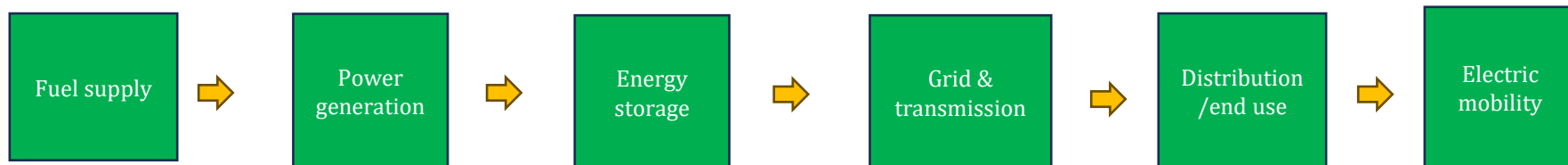
## **4. Overview of Fiscal & Budgetary Issues Concerning Electricity and Electrification**

# 4. Overview of Fiscal & Budgetary Issues Concerning Electricity and Electrification

## 4.1 Distribution of Energy-Related Products Across the Electricity Supply Chain

- Different types of energy related products and use of fiscal measures are seen across the power and energy supply chain
  - Seven stages are identified in the supply chain (Figure 2)
- Seven (7) technology categories: Solar, Wind, Energy Storage, Electric Vehicles, Grid & Transmission, Infrastructure, Fossil Fuels, and Fossil-Fuel-Based Power Generation Equipment

**Figure 2: Flow Diagram**



# 4. Overview of Fiscal & Budgetary Issues Concerning Electricity and Electrification

## 4.1 Distribution of Energy-Related Products Across the Electricity Supply Chain and Electrification

**Table 2: Distribution of Energy-Related Products Across the Electricity Supply Chain**

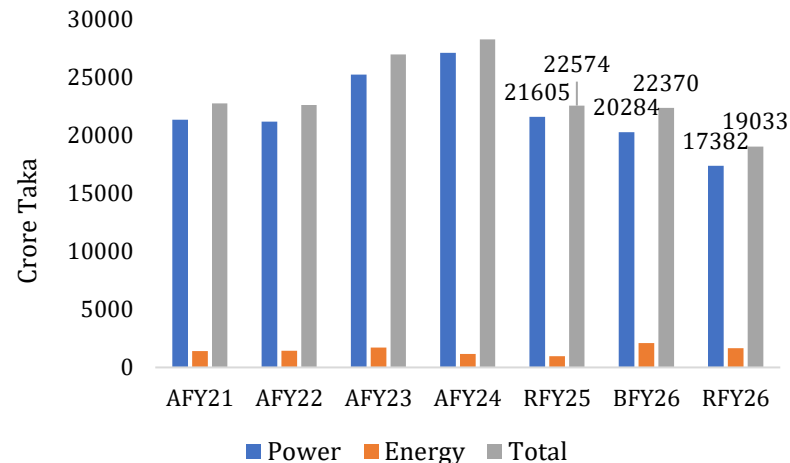
<b>Supply Chain Stage</b>	<b>Components / Technologies Covered</b>
<b>Fuel Supply</b>	Crude oil, diesel oil, furnace oil, fuel oil, LNG, natural gas, propane, butane, coal
<b>Power Generation Equipment</b>	Solar PV cells, solar PV modules, photovoltaic generators, solar inverters, wind generating sets, gas turbines, steam turbines, turbine parts
<b>Energy Storage</b>	Lithium-ion batteries, electric accumulators, primary manganese dioxide batteries
<b>Grid &amp; Transmission Infrastructure</b>	Transformers, copper wire, conductors, switchgear, circuit breakers, isolating switches, transmission towers, electricity meters
<b>End-use / Distributed Energy Applications</b>	Solar water heaters, solar-powered desalination plants, solar lanterns, solar lamp parts, insulated solar water storage tanks
<b>Electric Mobility</b>	Electric cars, electric three-wheelers, electric two-wheelers, battery-operated vehicles

## 4. Overview of Fiscal & Budgetary Issues Concerning Electricity and Electrification

### 4.2 ADP Allocation in Power and Energy Sector

- In **BFY2026**, the Power Division received ADP allocation of **BDT 20,284 crore (decreased of 7.2% from RFY25)** (Figure 3).
- The **total ADP allocation for Power and Energy in BFY26** was **BDT 22,370 crore** whereas the total allocation in **RFY2025** was **BDT 22574 crore**. (decreased of 0.1% from RFY25).
- The **significant changes** came between **BFY26 and RFY26**.
- The **Revised ADP allocation in 2026 for power division** is **BDT 17,382 crore (decreased 14.3% from BFY26)**.
- **Total allocation for power and energy in RFY26** is **BDT 19,033 crore (decreased 14.9% from BFY26)**.

Figure 3. ADP Allocation Trend for Power and Energy Division over the years



Source: Budget Docs, MoF

## **5. Fiscal Treatment in Renewable Energy**

# 5. Fiscal Treatment in Renewable Energy

## 5.1 Solar Related Items

- **Solar technologies** generally face a Total Tax Incidence (TTI) of around **27.5–28.7%**.
- Components, such as solar lantern parts and **solar water heater** systems, face much **higher tax burdens (39.75%)**.
- **VAT (15%), AIT (5%), and AT (7.5%)** constitute the largest portion of the tax burden
- **Advance Tax (AT)** is imposed **uniformly across** solar imports regardless of their strategic importance for energy transition.
  - The tax structure **increases upfront investment costs** for solar deployment.

**Table 7: Fiscal Treatment of Solar Energy Components**

Component	CD	SD	VAT	AIT	RD	AT	TTI
PV Cells — assembled modules/panels	1	0	15	5	0	7.5	28.7
PV Cells — not assembled	0	0	15	5	0	7.5	27.5
Photovoltaic Generators (all types)	1	0	15	5	0	7.5	28.7
Solar Inverters	1	0	15	5	0	7.5	28.7
Solar Water Heaters	0	0	15	5	0	7.5	27.5
Solar-powered Water Distillation Plant	1	0	15	5	0	7.5	28.7
Solar Powered Lanterns/Lamps	0	0	15	5	0	7.5	27.5
Parts of Solar Lanterns/Lamps	10	0	15	5	0	7.5	39.8
Solar Water Heater	10	0	15	5	0	7.5	39.8

Source: NRB's Operative Tariff of FY25-26

# 5. Fiscal Treatment in Renewable Energy

## 5.1 Solar Related Items

- Solar imports amounted to approximately **BDT 1,529 crore**
- **PV modules** account for about **83% of total solar imports**
- Government revenue from solar imports exceeds **BDT 439 crore** annually.
- The 7.5% Advance Tax alone generates approximately BDT 95 crore from PV module imports.
- **Fiscal revenue** collection from solar imports is **concentrated in a few major product** categories (assembled PV cells and PV generators).

**Table 8:** Import Value & Revenue (Crore BDT) of Solar Components

Component	Import Val.	Tentative Revenue
PV Cells — assembled modules/panels	1,272.95	365.71
PV Cells — not assembled	11.37	3.13
Photovoltaic Generators	243.42	69.93
Solar Water Heaters	0.01	0.0015
Solar Powered Lanterns/Lamps	0.14	0.04
Solar Water Heater + Tank	0.62	0.25
<b>Total</b>	<b>1,528.51</b>	<b>439.07</b>

**Source:** Import values from BBS (*Foreign Trade Statistics FY24*); revenue estimated by the author using FY25-26 Total Tax Incidence (TTI).

# 5. Fiscal Treatment: Renewable Energy

## 5.2 Wind Energy Related Items

- **Wind-powered generating** sets face a TTI of approximately **28.7%**.
  - The tax treatment of wind equipment is broadly **similar to solar equipment**.
- Wind imports totaled approximately **BDT 305 crore**.
- Government revenue from wind equipment imports reached about **BDT 88 crore**.

**Table 9: Fiscal Treatment of Wind Energy Components**

Component	CD	SD	VAT	AIT	RD	AT	TTI
Wind-powered generating sets	1	0	15	5	0	7.5	<b>28.7</b>

Source: NRB's Operative Tariff of FY25-26

**Table 10: Import Value & Revenue (Crore BDT) of Wind Energy Components**

Component	Import Val.	Revenue
Wind-powered generating sets	304.60	<b>87.51</b>

**Source:** Import values from BBS (*Foreign Trade Statistics FY24*); revenue estimated by the author using FY25-26 Total Tax Incidence (TTI).

# 5. Fiscal Treatment: Renewable Energy

## 5.3 Energy Storage Items

- **Energy storage technologies** face some of the **highest tax burdens** among all renewable-energy-related imports.
- **Lithium-ion batteries** face a TTI of **61.8%**. **Primary manganese dioxide batteries** face a TTI exceeding **93%**.
- Storage imports generated approximately **BDT 610 crore** in tax revenue from BDT 985 crore of imports.
- **Customs Duty (25%) and Regulatory Duty (3%)** significantly contribute to the high tax burden.

**Table 11: Fiscal Treatment of Energy Storage Components**

Component	CD	SD	VA T	AIT	RD	AT	TTI
Lithium-ion batteries	25	0	15	5	3	7.5	<b>61.8</b>
Electric accumulators	25	0	15	5	3	7.5	<b>61.8</b>
Primary manganese dioxide batteries	25	20	15	5	3	7.5	<b>93.2</b>

**Source:** NRB's Operative Tariff of

**Table 12: Import & Revenue (in crore BDT) of Energy Storage Components**

Component	Import Val.	Revenue
Lithium-ion batteries	976.4	603.4
Accumulators (excl. lead acid)	4.94	3.05
Manganese dioxide batteries	4.04	3.76
<b>Total</b>	<b>985.40</b>	<b>610.24</b>

# 5. Fiscal Treatment: Renewable Energy

## 5.4 Electric Vehicle (EV)

- **EVs face among the highest tax burdens** in the energy sector.
- **Three-wheeler EVs** and electric-motor vehicles face a TTI of **93.16%**.
- **Two-wheeler EVs** face a lower but still substantial TTI of **61.8%**.
- EV imports worth BDT 131 crore generated over **BDT 120 crore in revenue**.
- **Supplementary Duty and Regulatory Duty** substantially increase the overall tax burden.

**Table 13: Fiscal Treatment of Electric Vehicle Components**

Component	CD	SD	VAT	AIT	RD	AT	TTI
3-wheeled Vehicles	25	20	15	5	3	7.5	<b>93.2</b>
Two-wheelers	25	0	15	5	3	7.5	<b>61.8</b>
Electrical Vehicles (not fitted with lifting equip.)	5	0	15	5	0	7.5	<b>33.6</b>
Vehicles with only electric motors	25	20	15	5	3	7.5	<b>93.2</b>

Source: NRB's Operative Tariff of FY25-26

**Table 14: Import & Revenue (in crore BDT) of Electric Vehicle Components**

Component	Import Value	Revenue	TTI %
3-wheeled EVs	73.10	68.08	<b>93.16</b>
Two-wheeler EVs	5.32	3.29	<b>61.8</b>
Vehicles with electric motors	53.00	49.38	<b>93.16</b>
<b>Total</b>	<b>131.40</b>	<b>120.75</b>	<b>—</b>

Source: Import values from BBS (*Foreign Trade Statistics FY24*); revenue estimated by the author using FY25-26 Total Tax Incidence (TTI). 20

## **6. Fiscal Treatment of Grid & Transmission Infrastructure Items**

## 6. Fiscal Treatment of Grid & Transmission Infrastructure Items

- **Grid and transmission equipment** faces some of the **highest tax burdens** among renewable energy technologies, with TTI ranging from **33.6% to 93.2%**.
- Critical components such as **transformers, conductors, towers, and meters** are subject to **multiple layers of taxation**, including CD, VAT, AIT, RD, and AT.
  - Those strategic grid assets face tax rates exceeding **60%**, while some components face tax burdens above **90%**.
- High taxation **increases the cost of expanding and upgrading** transmission and distribution infrastructure.

**Table 15: Fiscal Treatment of Grid and Transmission Components**

Component	CD	SD	VAT	AIT	RD	AT	TTI
Transformers >500 KVA	25	0	15	5	3	7.5	<b>61.8</b>
Liquid dielectric transformers ≤650 KVA	25	0	15	5	3	7.5	<b>61.8</b>
Transformers 16–500 KVA	25	20	15	5	3	7.5	<b>93.2</b>
Wire of refined copper >6mm	5	0	15	5	0	7.5	<b>33.7</b>
Boards equipped w/ apparatus >1000V	10	0	15	5	0	7.5	<b>39.8</b>
Automatic circuit breakers ≤1000V	10	0	15	5	0	7.5	<b>39.8</b>
Isolating switches >1000V	10	0	15	5	0	7.5	<b>39.8</b>
Electric conductors >1000V	25	0	15	5	3	7.5	<b>61.8</b>
Towers and lattice masts (iron/steel)	25	0	15	5	3	7.5	<b>61.8</b>
Electric conductors ≤1000V w/ connectors	25	20	15	5	3	7.5	<b>93.2</b>
Kilowatt-hour meters	25	0	15	5	3	7.5	<b>61.8</b>

Source: NRB's Operative Tariff of FY25-26

## 6. Fiscal Treatment of Grid & Transmission Infrastructure Items

- Grid and transmission infrastructure is the largest renewable-energy-related import category, with imports exceeding **BDT 2,656 crore**.
- The sector generated approximately **BDT 1,513 crore** in **fiscal revenue**, the highest among all renewable energy categories.
- **High-voltage conductors** account for nearly **half of total imports** and contribute the largest share of revenue collection.
- **Transmission towers, conductors, and transformers** are major contributors to both import value and government revenue.

**Table 16: Import & Revenue (in crore BDT) of Grid and Transmission Components**

Component	Imp.Val	Rev.
Transformers >500 KVA	96.80	59.83
Liquid dielec. transformers ≤650 KVA	69.50	42.95
Transformers 16–500 KVA	15.51	14.47
Wire of refined copper >6mm	183.20	61.61
Boards w/ apparatus >1000V	69.51	27.63
Circuit breakers ≤1000V	209.86	83.42
Isolating switches >1000V	123.91	49.26
Electric conductors >1000V	1,328.07	820.75
Towers & lattice masts	529.39	327.16
Conductors ≤1000V w/ connectors	24.67	22.98
Kilowatt-hour meters	5.48	3.38
<b>Total</b>	<b>2,655.9</b>	<b>1,513.4</b>

**Source:** Import values from BBS (*Foreign Trade Statistics FY24*); revenue estimated by the author using FY25-26 Total Tax Incidence (TTI). 22

## **7. Fiscal Treatment: Fossil Fuel**

# 7. Fiscal Treatment: Fossil Fuel

## 7.1 Fossil Fuel as Energy

- **LNG imports face the lowest tax burden** among all energy categories.
- Several LNG products face only **9.5% TTI**.
- LNG imports benefit from **zero VAT and only 2% AIT**.
- **Coal imports** face a TTI of approximately **27.5%**.
- **Oil products generally face lower tax burdens** than storage, EVs, and grid equipment.

**Table 17: Fiscal Treatment of Fossil Fuel**

Component	Type	CD	SD	VAT	AIT	RD	AT	TTI
Propane liquefied	LNG	0	0	0	2	0	7.5	9.5
Natural gas — liquefied	LNG	0	0	0	2	0	7.5	9.5
Butanes liquefied	LNG	0	0	0	2	0	7.5	9.5
Natural gas — gaseous state	LNG	5	0	15	5	0	7.5	33.6
Petroleum gases liquefied NES	LNG	5	0	15	5	0	7.5	33.6
Anthracite / Bituminous Coal	Coal	0	0	15	5	0	7.5	27.5
Other coal NES	Coal	0	0	15	5	0	7.5	27.5
Crude petroleum oils	Oil	3	0	15	2	0	7.5	28.2
Light / High-speed diesel	Oil	6	0	15	2	0	7.5	31.9
Fuel oils / Furnace oils	Oil	10	0	15	2	0	7.5	36.8
Motor spirit (HBOC)	Oil	6	0	15	2	0	7.5	31.9
Fuel oil NES	Oil	25	0	15	2	3	7.5	58.8

Source: NRB's Operative Tariff of FY25-26

# 7. Fiscal Treatment — Fossil Fuel

## 7.1 Fossil Fuel as Energy

- **Oil products** dominate fiscal revenues, contributing **BDT 26,818 crore (80.3%) of total revenue** generated from fossil fuel imports.
- Despite accounting for only 17.6% of total import value, **coal contributes 16.6%** of total revenue, reflecting its relatively high effective tax burden.
- **LNG imports generate** the lowest revenue relative to import value, contributing only **BDT 1,059 crore (3.2% of total revenue) due to preferential tariff treatment** and lower overall tax incidence.
- **High-speed diesel** oil alone generates over **BDT 13,600 crore**, making it the single largest source of energy-related import tax revenue.

**Table 18:** Import & Revenue (in crore BDT) of Fossil Fuel

Component	Type	Import Value	Estimated Revenue Earned
Propane Liquefied	LNG	181.5	17.1
Natural Gas – Liquefied	LNG	4,003.7	380.3
Butanes Liquefied	LNG	6,964.0	661.6
<b>Total LNG</b>	<b>LNG</b>	<b>11,149.2</b>	<b>1,059.1</b>
Anthracite Coal	Coal	126.9	34.9
Bituminous Coal	Coal	1.45	0.40
Other Coal NES	Coal	19,981	5,494.8
<b>Total Coal</b>	<b>Coal</b>	<b>20,109.3</b>	<b>5,530.1</b>
<b>Crude Petroleum Oils</b>	<b>Oil</b>	<b>15,569.19</b>	<b>4,387.4</b>
Light Diesel Oils	Oil	0.03	0.01
<b>High-Speed Diesel Oils</b>	<b>Oil</b>	<b>42,900.1</b>	<b>13,663.7</b>
Fuel Oils / Furnace Oils	Oil	21,399.6	7,864.3
Petroleum Oils Containing Biodiesel	Oil	0.60	0.22
Fuel Oil NES	Oil	0.54	0.32
Motor Spirit (HBOC Type)	Oil	2,830.7	901.6
Total Oil	Oil	82,700.7	26,817.5
<b>Total</b>		<b>113,959.3</b>	<b>33,406.7</b>

**Source:** Import values from BBS (*Foreign Trade Statistics FY24*); revenue estimated by the author using FY25-26 Total Tax Incidence (TTI).

# 7. Fiscal Treatment of Fossil Fuel

## 7.2 Fossil Fuel Related Power Generation Equipment

- **Gas and steam turbines** generally face TTIs between **27.5% and 28.7%**.
- Tax rates are **similar to those** applied to basic solar generation equipment.
- Fossil power equipment imports totaled approximately BDT 1,605 crore.
- Government **revenue** from fossil power equipment reached approximately **BDT 461 crore**.

**Table 19: Fiscal Treatment of Fossil Fuel based Power Generation Components**

Component	CD	SD	VAT	AIT	RD	AT	TTI
Gas turbines ≤5000kW	0	0	15	5	0	7.5	<b>27.5</b>
Gas turbines >5000kW	1	0	15	5	0	7.5	<b>28.7</b>
Parts of gas turbines	1	0	15	5	0	7.5	<b>28.7</b>
Steam turbines — marine propulsion	0	0	15	5	0	7.5	<b>27.5</b>
Steam turbines >40MW	1	0	15	5	0	7.5	<b>28.7</b>
Steam turbines ≤40MW	0	0	15	5	0	7.5	<b>27.5</b>
Parts of steam turbines	1	0	15	5	0	7.5	<b>28.7</b>

**Source:** NRB's Operative Tariff of FY25-26

**Table 20: Import & Revenue (in crore BDT) of Fossil Fuel based generation Components**

Component	Import Value	Revenue	TTI
Parts of gas turbines	1,457.42	418.71	<b>28.73</b>
Steam turbines (marine propulsion)	0.009	0.002	<b>27.5</b>
Parts of steam turbines	147.80	42.75	<b>28.73</b>
<b>Total</b>	<b>1,605.23</b>	<b>461.46</b>	—

**Source:** Import values from BBS (*Foreign Trade Statistics FY24*); revenue estimated by the author using FY25-26 Total Tax Incidence (TTI).

## **8. Comparative Assessment — RE vs. FF**

# 8. Comparative Assessment — RE vs. FF

## 8.1 Fiscal Treatment Comparison of Power Generation Equipment

### TTI of Power Generation Equipment: RE vs Fossil Fuel

- **Gas and steam turbines face** tax burdens similar to solar PV modules.
- However, **batteries, grid infrastructure, and EVs** face tax rates that are **two to three times higher**.
- The **highest tax burdens** are concentrated in technologies essential for **deep decarbonization**.
- Renewable generation equipment alone is not the **primary challenge; enabling technologies are**.

#### ⚡ Fossil vs RE Power Equipment

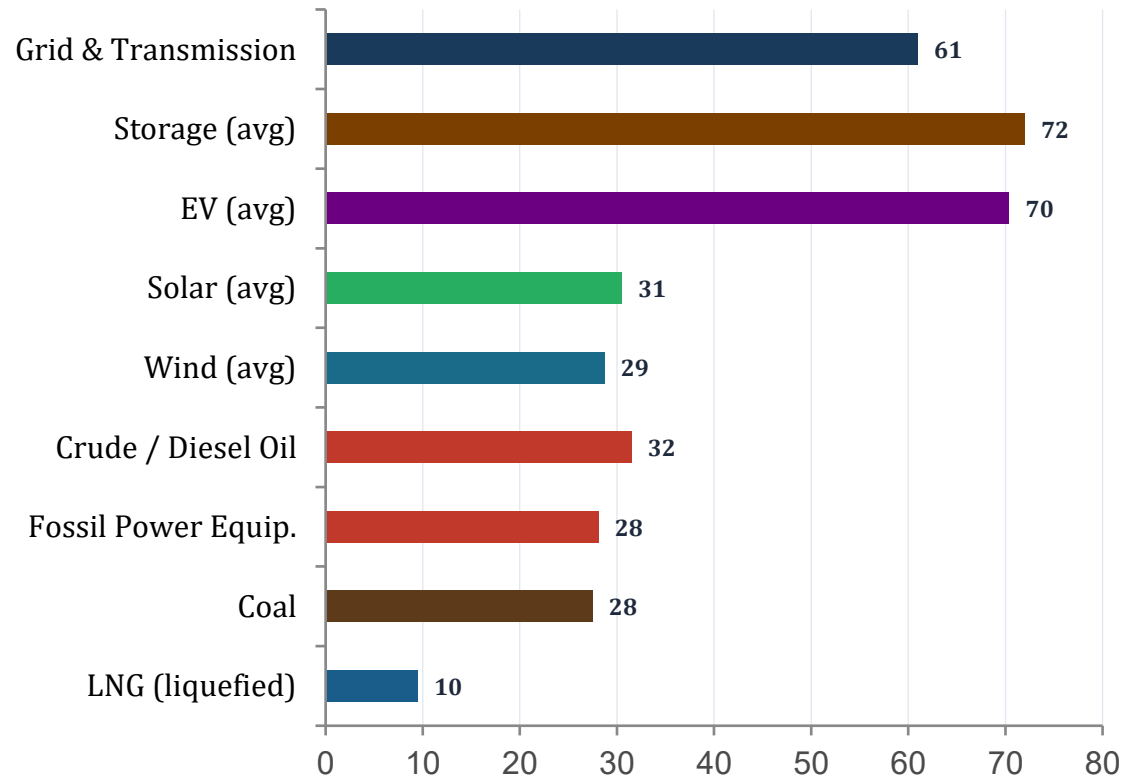
Gas Turbines	27.5-28.73%
Steam Turbines	27.5-28.73%
Solar PV Modules	28.73%
Li-ion Batteries	61.8%
Grid Transformers	61.8-93.16%
EVs (3-wheel)	93.16%

*Gas/steam turbines are taxed at near-parity with basic solar — but far less than batteries, grid, or EVs.*

# 8. Comparative Assessment — RE vs. FF

## 8.2 Comparative Assessment — Average TTI by Category

Figure 7: Total Tax Incidence by Category

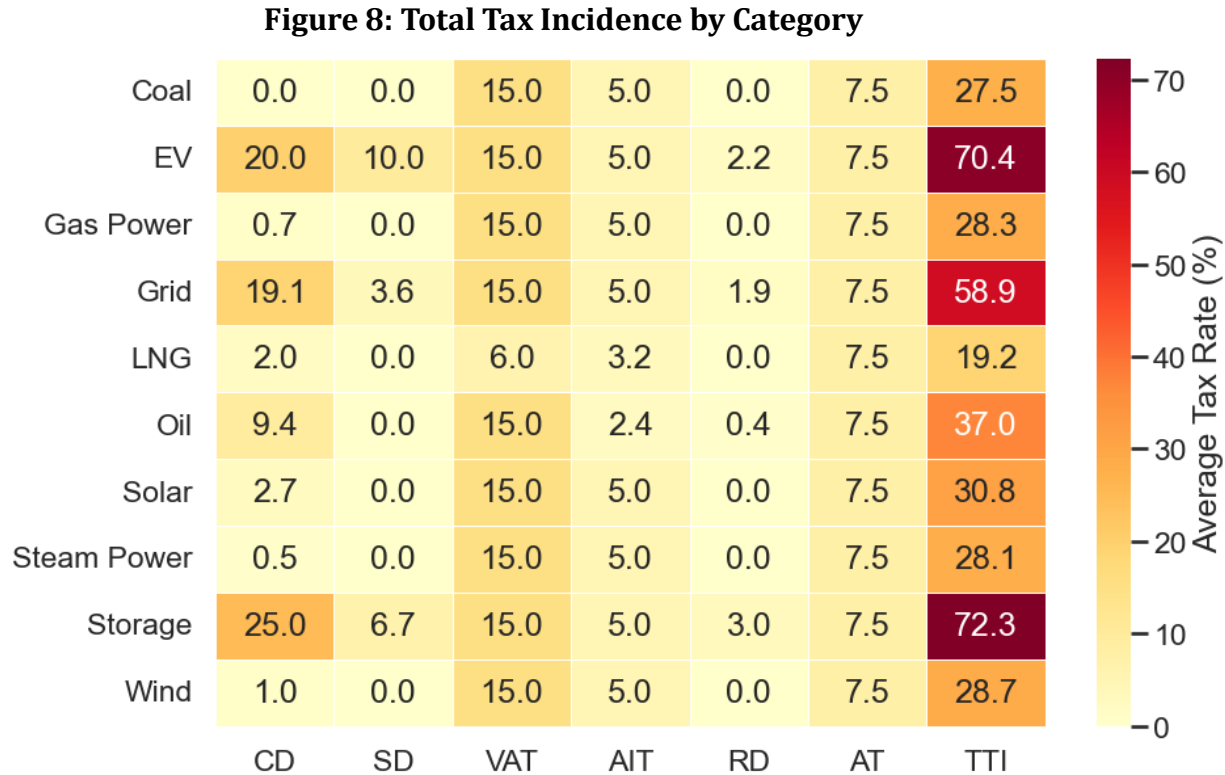


Source: Authors' illustration using FY25-26 Total Tax Incidence (TTI) from NBR.

<p><b>LNG imports</b></p> <p>0% VAT + only 2% AIT — lowest fiscal burden in all energy imports</p>	<p><b>9.5%</b></p>
<p><b>Fossil power equip.</b></p> <p>Gas/steam turbines at par with basic solar — but no AT disadvantage vs RE</p>	<p><b>~28%</b></p>
<p><b>Grid &amp; Transmission</b></p> <p>Highest-volume RE import category; transformers hit 93.16% TTI</p>	<p><b>~61%</b></p>
<p><b>Storage (batteries)</b></p> <p>Li-ion: 61.8%; manganese batteries: 93.16% — critical for RE integration</p>	<p><b>~72%</b></p>
<p><b>Solar</b></p> <p>7.5 % AT and 5% AIT imposed on all solar components.</p>	<p><b>~31%</b></p>
<p><b>EVs (all types)</b></p> <p>3-wheelers and motor-only vehicles top 93.16% — highest individual TTI</p>	<p><b>~70%</b></p>

# 8. Comparative Assessment — RE vs. FF

## 8.2 Tax Component Breakdown

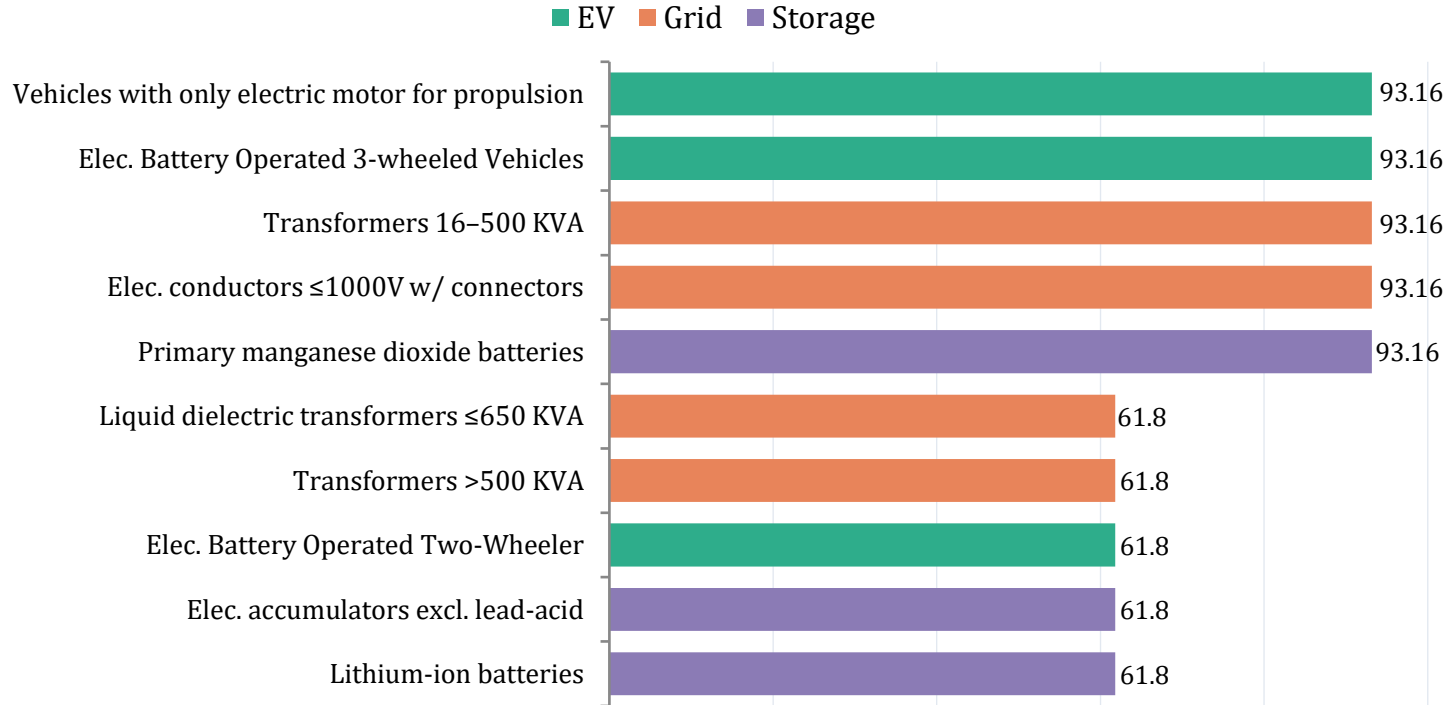


**Source:** Authors' illustration using FY25-26 Total Tax Incidence (TTI) from NBR.

# 8. Comparative Assessment — RE vs. FF

## 8.3 Top 10 Items by TTI

Figure 9: Top 10 Items by TTI

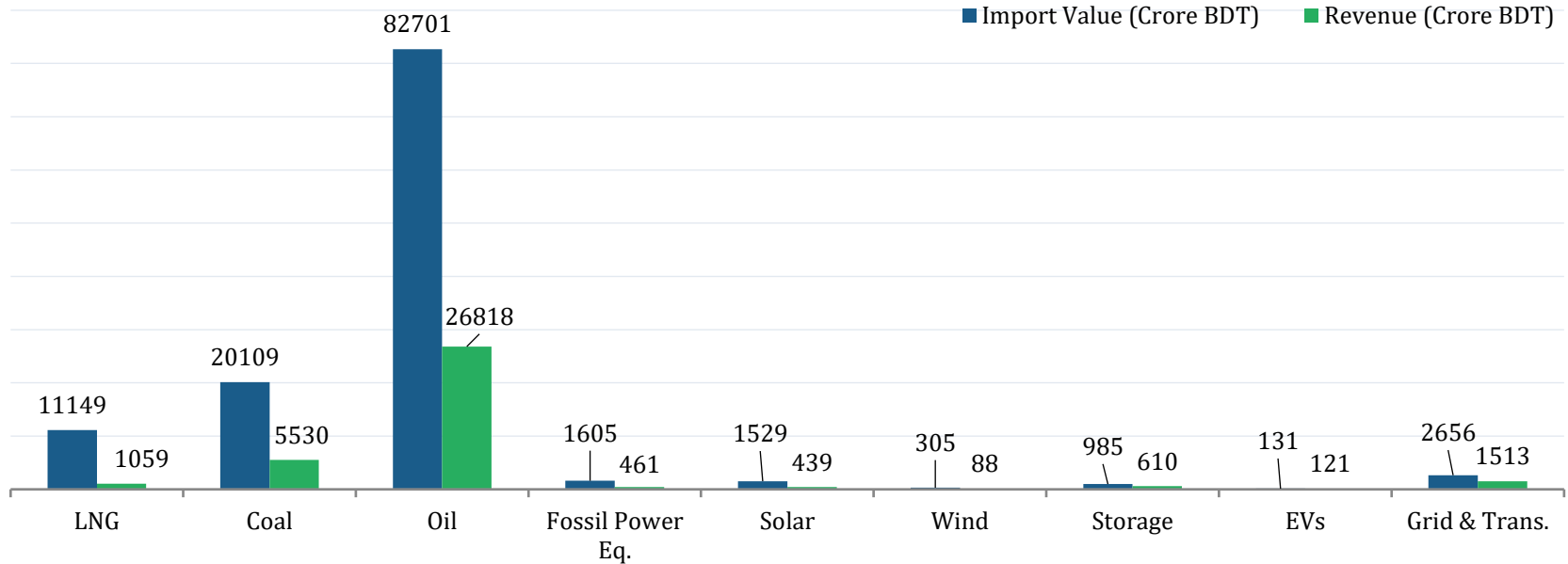


Source: Authors' illustration using FY25-26 Total Tax Incidence (TTI) from NBR.

# 8. Comparative Assessment — RE vs. FF

## 8.4 Import Value & Estimated Revenue by Category

Figure 10: Category-wise Import value and Estimated Revenue Earnings



Source: Import values from BBS (*Foreign Trade Statistics FY24*); revenue estimated by the author using FY25-26 Total Tax Incidence (TTI).

## **9. Nature of Discriminatory Fiscal Incentives**

## 9. Nature of Discriminatory Fiscal Incentives

- Fossil fuel producers **enjoy extra financial value** from the **preferential fiscal policies**, tax/ VAT exemption, duty waiver
- The amount of extra financial value fossil fuel power plants receive because of preferential government policies can be calculated **in different ways**
  - ***Discriminatory Fiscal Incentive Analysis***: Determines **how much financial benefit** LNG, oil and coal importers enjoy due to tax and VAT **exemption**
  - ***Revenue Foregone Analysis***: Calculates **how much revenue government is losing** due to the **TTI** discrimination between fossil fuel and renewable producers
  - ***Fossil Fuel Producer Subsidy Estimation***: This estimates the **difference between subsidy** that renewable energy-based power generation enjoys vs the fossil fuel-based **power generation**
- This **can be done plant-by-plant**, fuel- by- fuel, company-by-company, or sector-wide
- This study focuses on **fuel- by- fuel analysis** for discriminatory **fiscal incentive and revenue foregone** analysis
  - For **subsidy estimation** fuel wise **plants type** will be used

# 9. Nature of Discriminatory Fiscal Incentives

## 9.1 Discriminatory Fiscal Incentive Analysis

### VAT exemption Analysis

- A standard 15% VAT is applicable for all type of fuel sources except LNG
- LNG import is enjoying a full VAT exemption making
- With such discriminatory fiscal incentive, LNG businesses are receiving a financial value of BDT 1672 crore compared to solar and wind businesses

Table 21: Discriminatory VAT structure between LNG and RE benefiting LNG businesses				
Fuel	Imposed VAT (%)	Total Import Value (Crore BDT)	Revenue from VAT Imposed (Crore BDT)	Probable Revenue with Non-discriminatory fiscal incentive (Crore BDT)
LNG	0	11149.15	0	1672.37
Wind	15	305	45.75	45.75
Solar	15	1529	229.35	34.40

**Source:** Import values from BBS (*Foreign Trade Statistics FY24*); revenue estimated by the author using FY25-26 Total Tax Incidence (TTI).

# 9. Nature of Discriminatory Fiscal Incentives

## 9.2 Revenue Foregone Analysis

- Among the fossil fuels, as oil and petroleum products are the highest revenue earners so imposing solar and wind TTI on oil will **actually downsize the revenue**
- On the other hand, LNG based power generation generators are enjoying an additional benefit of **BDT 1293 crore** compared to that of **solar** and **BDT 10597 crore** compared to that of **wind**
- In other words, NBR is foregoing at least **BDT 1059- 1293 crore** of revenue by favouring the LNG based businesses
- For coal-based power generation, the revenue loss is significantly low, as **it ranges from BDT 241 crore to BDT664 crore**

**Table 22: Revenue Foregone Analysis of Oil, LNG and Coal**

Fossil Fuel	Import Value (Crore BDT)	Revenue (Fossil TTI) (Crore BDT)	Revenue Earned if solar equivalent TTI is imposed (Crore BDT)	Revenue Earned if wind equivalent TTI is imposed (Crore BDT)	Revenue Foregone compared to solar TTI (Crore BDT)	Revenue Foregone compared to wind TTI (Crore BDT)
Oil	79870	29551.91	24599.96	22922.69	-4951.94	-6629.21
LNG	11149.1	2140.64	3433.94	3199.81	1293.30	1059.17
Coal	20109.4	5530.08	6193.69	5771.39	663.61	241.31

**Source:** Import values from BBS (*Foreign Trade Statistics FY24*); revenue estimated by the author using FY25-26 Total Tax Incidence (TTI).

# 9. Nature of Discriminatory Fiscal Incentives

## 9.3 Fossil Fuel Producer Subsidy Estimation

- Lastly, the subsidy preference determined by the gap between actual generation cost and wholesale electricity tariff rate
- BPDB is purchasing electricity from the IPPs at a higher rate and selling the electricity at a lower rate to the distribution companies
  - The average average tariff at which PDB sold electricity was **BDT 7/kWh**
- The gap remains highest in case of **HFO/HSD based power plants, as the gap is BDT20.18/kWh**
  - It means per unit average subsidy for oil-based power generation is BDT20.18/kWh
- The lowest gap remains in case of gas- based power generation given the usage of low-cost domestic gas
- On average the subsidy for **fossil fuel stands at BDT7.5 /kWh (without capacity payment)**
- On the other hand, average **RE subsidy stands at BDT9/kWh**

Fuel Type	Unit kWh	Sale of Electricity (Crore BDT)	Unit Price 2024-25 (BDT/kWh)	Difference with the average wholesale tariff, 2024-25 (BDT/kWh)
Gas/LNG	16756212474	14261	8.51	-1.51
<b>HFO/ HSD</b>	<b>9068068927</b>	<b>24646</b>	<b>27.18</b>	<b>-20.18</b>
Coal	21884387003	30167	13.78	-6.78
<b>Average FF</b>	<b>47708668404</b>	<b>69073</b>	<b>14.48</b>	<b>-7.48</b>
<b>Average RE</b>	<b>1270990823</b>	<b>2025</b>	<b>15.93</b>	<b>-8.93</b>

Source: Authors' estimation from BPDB plant wise electricity purchase data

# 9. Nature of Discriminatory Fiscal Incentives

## 9.4 Plant- wise subsidy for the gas- based power plants

- Eventhough the average subsidy for gas- based power plant remain very low the actual subsidy for power plants demonstrate very high variance
- The plant wise subsidy ranges from as high as **BDT46/kwh to as low as zero for some power plants**
  - Meghnaghat Power Ltd., Summit Bibiyana II Power Company Ltd., Kushira Power Company Ltd., Sembcorp NWPC Ltd. - Sirajgonj (282MW) and Nutan Bidyut (Bangladesh) Ltd. (220MW) are the five power plants that received zero subsidy
  - Regent Energy & Power Ltd. and B-R Powergen Ltd. (Mirsarai) are the **two highest subsidy receiving gas- based power plants** mainly because of the LNG usage
- Not to forget that, almost **40% of the total natural gas supply is from imported LNG**, which is not as cheap as domestic natural gas
- So why the average gas- based electricity **is still stands at a competitive price?**
  - Simply because government has been **provided targeted fiscal incentives to LNG** which is helping it to be **competitive compared to other fuels**

# 9. Nature of Discriminatory Fiscal Incentives

**Table 24: Plant- wise subsidy for the gas- based power plants (FY 2024-2025)**

Particulars	Fuel Type	Unit kWh	Amount In BDT	Unit Price 2024-25 (BDT/kWh)	Difference with the average wholesale tariff, 2024-25
RPC Ltd. Mymensingh (210 MW)	Gas	243,363,322	4,748,536,837	19.51	-12.51
<b>Meghnaghat Power Ltd.</b>	Gas	3,031,318,900	16,139,340,598	5.32	<b>1.68</b>
Summit Meghnaghat Power Ltd.	Gas	1,321,276,199	11,784,870,095	8.92	-1.92
Midland Power Company Ltd.	Gas	371,569,595	2,735,851,763	7.36	-0.36
<b>Regent Energy &amp; Power Ltd.</b>	Gas	23,931,134	1,269,606,818	53.05	<b>-46.05</b>
United Power Generation & Distribution	Gas	184,236,960	1,635,276,165	8.88	-1.88
United Ashuganj Energy Ltd.	Gas	847,620,418	7,716,563,682	9.10	-2.10
<b>Summit Bibiyana II Power Company Ltd.</b>	Gas	2,371,373,068	13,703,888,304	5.78	<b>1.22</b>
<b>Summit Narayanganj Power Unit I Ltd.</b>	<b>Gas</b>	<b>126,902,069</b>	<b>3,316,490,647</b>	<b>26.13</b>	<b>-19.13</b>
Shahjibazar Power Generation Co. Ltd.	Gas	89,833,277	896,423,140	9.98	-2.98

Source: Authors' estimation from BPDB plant wise electricity purchase data

## 9. Nature of Discriminatory Fiscal Incentives

**Table 24: Plant- wise subsidy for the gas- based power plants (FY 2024-2025)**

Particulars	Fuel Type	Unit kWh	Amount In BDT	Unit Price 2024-25 (BDT/kWh)	Difference with the average wholesale tariff, 2024-25
Kushira Power Company Ltd.	Gas	1,160,037,597	7,432,823,374	6.41	0.59
Sembcorp NWPC Ltd. - Sirajgonj (282MW)	Gas	2,829,495,128	18,926,070,643	6.69	0.31
Chandpur 150MW Power Company Ltd.	Gas	186,383,504	4,589,622,517	24.62	-17.62
B-R Powergen Ltd. (Mirsarai)	HFO and Natural Gas /LNG	128,221,905	3,956,005,000	30.85	-23.85
Tangail Palli Power Generation Ltd. (22MW)	Gas	70,665,852	1,740,368,224	24.63	-17.63
Nutan Bidyut (Bangladesh) Ltd. (220MW)	Gas	1,774,176,344	11,235,977,433	6.33	0.67
SFL Unique Meghnaghat Power Plc	Gas/ LNG	925,653,846	15,600,029,978	16.85	-9.85
Summit Meghnaghat II Power Company Limited	Gas	1,070,153,356	15,177,921,528	14.18	-7.18

Source: Authors' estimation from BPDB plant wise electricity purchase data

# 9. Nature of Discriminatory Fiscal Incentives

## 10.5 Plant- wise subsidy for the oil- based power plants

- The subsidy provided for the oil-based power plants are the highest given it's provision for capacity y payment and high cost of fuel import
- The **subsidy ranges from BDT15/kwh to BDT39/Kwh**
- The **highest subsidy receiving oil-based power** plant is United - Anowara (300MW), which is still lower than Regent Energy & Power Ltd.
- The **lowest subsidy receiving plant** is Kanchan Purbachal Power Generation Ltd. (55MW)
  - This is much higher than any renewable energy-based power plants

# 9. Nature of Discriminatory Fiscal Incentives

**Table 25: Plant- wise subsidy for the oil- based power plants (FY 2024-2025)**

Particulars	Fuel Type	Unit kWh	Amount In BDT	Unit Price 2024-25 (BDT/kWh)	Difference with the average wholesale tariff, 2024-25
BPDB RPCL Power Gen Ltd.	HFO	452,134,660	11,878,583,013	26.27	-19.27
Raj Lanka Power Limited	HFO	16,726,958	605,635,946	36.21	-29.21
Baraka Patenga Power Limited	HFO	69,889,728	2,027,298,901	29.01	-22.01
Digital Power & Associates Ltd.	HFO	79,920,529	2,986,278,238	37.37	-30.37
RPCL 52MW Gazipur	HFO	91,939,949	2,459,476,176	26.75	-19.75
RPCL 25MW Rajan	HFO	28,331,722	901,444,966	31.82	-24.82
Lakdhanvi Bangla Power Ltd.	HFO	125,648,232	3,188,282,075	25.37	-18.37
EPV Power Ltd.	HFO	69,904,920	3,004,960,251	42.99	-35.99
ACE Alliance Power Ltd. (149MW) (Summit Gazipur)	HFO	564,591,888	13,933,068,773	24.68	-17.68
Summit Barishal Power Ltd.	HFO	87,923,232	3,769,013,441	42.87	-35.87
Dhaka Southern Power Limited	HFO	116,257,483	3,049,113,274	26.23	-19.23
Dhaka Northern Power Limited	HFO	135,992,033	3,374,447,457	24.81	-17.81
Banco Energy Generation Ltd.	HFO	130,769,928	3,727,437,389	28.50	-21.50
United Mymensingh Power Ltd. (200MW)	HFO	738,108,480	18,416,575,451	24.95	-17.95
Acron Infrastructure Service Ltd. (Unit-3)	HFO	283,623,974	7,012,206,130	24.72	-17.72
Orion Power Rupsha Ltd. - Khulna (105MW)	HFO	86,818,944	3,518,585,003	40.53	-33.53
Desh Energy Chandpur Power Company Ltd.	HFO	667,065,512	16,109,773,345	24.15	-17.15
Baraka Shikalbaha Power Ltd. (105MW)	HFO	191,317,077	5,479,075,061	28.64	-21.64
<b>B-R Powergen Ltd. (Sreepur) (160MW)</b>	HFO	238,730,280	5,425,026,950	22.72	<b>-15.72</b>

# 9. Nature of Discriminatory Fiscal Incentives

**Table 25: Plant- wise subsidy for the oil- based power plants (FY 2024-2025)**

Particulars	Fuel Type	Unit kWh	Amount In BDT	Unit Price 2024-25 (BDT/kWh)	Difference with the average wholesale tariff, 2024-25
Confidence Power Ltd. - Rangpur (113MW)	HFO	323,570,957	8,092,369,280	25.01	-18.01
Confidence Power Ltd. (Unit-I) - Bogra	HFO	202,735,104	6,123,300,491	30.20	-23.20
Confidence Power Ltd. (Unit-2) - Bogra	HFO	239,124,672	6,899,327,374	28.85	-21.85
United Jamalpur 200MW	HFO	458,543,388	11,013,676,146	24.02	-17.02
RPCL - Gazipur (105MW)	HFO	283,865,836	6,800,857,629	23.96	-16.96
United - Anowara (300MW)	HFO	210,585,742	9,694,423,347	46.04	-39.04
Zodiac Power Ctg. Ltd.	HFO	79,886,598	2,662,699,646	33.33	-26.33
Lanka Power Limited - Feni	HFO	357,930,634	9,022,389,046	25.21	-18.21
HF Power Company Limited	HFO	221,018,305	6,175,722,847	27.94	-20.94
Manikganj Power Generations Ltd. (162MW)	HFO	411,947,352	10,540,527,554	25.59	-18.59
Anlima Energy Limited (116MW)	HFO	135,833,801	4,954,899,408	36.48	-29.48
United Payra (150MW)	HFO	148,774,812	5,018,791,789	33.73	-26.73
Bhairab Power Limited (54.5MW)	HFO	92,991,150	2,715,879,017	29.21	-22.21
Acron Infrastructure Services Ltd. Unit-2	HFO	181,301,184	5,175,291,563	28.55	-21.55
Orion Power Sonargaon Ltd.	HFO	133,045,200	4,416,967,775	33.20	-26.20
Chandpur Power Generation Ltd. (115MW)	HFO	388,864,608	8,447,987,923	21.72	-14.72
EPV Thakurgaon Limited (115MW)	HFO	346,019,921	8,400,245,141	24.28	-17.28
Kanchan Purbachal Power Generation Ltd. (55MW)	HFO	154,966,946	3,444,396,686	22.23	-15.23
Desh Energy Hatiya Power Company Ltd. (5MW)	HFO	25,448,882	627,986,906	24.68	-17.68
Summit Gazipur II Power Ltd. - Kodda (300MW)	HFO	495,918,306	15,364,349,837	30.98	-23.98

# 9. Nature of Discriminatory Fiscal Incentives

## 9.6 Plant- wise subsidy for the coal- based power plants

- Both the average and plant wise subsidy provided for **coal-based power plants are lower than that of other fossil fuels mainly due to 2 reasons**
  - The coal power plants are baseload power plants and coal power plants **enjoys fiscal incentives** that makes the LCOE low
  - Similar to that of LNG, because government has been **provided targeted fiscal incentives to coal, it is sustaining the market competitiveness**

**Table 26: Plant- wise subsidy for the coal- based power plants (FY 2024-2025)**

<b>Particulars</b>	<b>Fuel Type</b>	<b>Unit kWh</b>	<b>Amount In BDT</b>	<b>Unit Price 2024-25 (BDT/kWh)</b>	<b>Difference with the average wholesale tariff, 2024-25</b>
Barisal Electric Power Company Ltd.	Coal	1,861,828,704	24,984,280,055	13.42	-6.42
Bangladesh-China Power Company (Pvt.) Ltd. 1320MW	Coal	7,936,894,988	115,709,855,539	14.58	-7.58
Bangladesh India Friendship Power Company (Pvt.) Ltd. 1320MW	Coal	5,033,610,920	63,511,941,069	12.62	-5.62
SS Power II Limited	Coal	6,346,540,145	92,391,472,288	14.56	-7.56
RPCL-NORINCO International Power Company Ltd.	Coal	705,512,246	5,068,177,030	7.18	-0.18

Source: Authors' estimation from BPDB plant wise electricity purchase data

# 9. Nature of Discriminatory Fiscal Incentives

## 9.7 Plant-wise subsidy for the Renewable energy power plants

- The renewable energy- based power plants also have **comparatively higher per unit generation cost** making it **difficult for BPDB to end subsidy**
  - This is **mainly because of unsolicited contract** where contracted prices were much higher than the market price
- It is to be noted that RE power plants **don't receive any capacity payment like that of fossil fuels**
  - The reason is simple, the **high up- front investment cost of solar and wind** power makes it difficult to keep the unit cost at a **competitive level**
- However, the **highest difference is equivalent to the lowest difference** in case of oil- based power generation (**BDT 15/kWh**)
  - This also indicates that, the **higher average TTI leads to incremental increase** of per unit power generation cost resulting in subsidy allocation

## 9. Nature of Discriminatory Fiscal Incentives

**Table 27: Plant- wise subsidy for the RE- based power plants (FY 2024-2025)**

Particulars	Fuel Type	Unit kWh	Amount In BDT	Unit Price 2024-25 (BDT/kWh)	Difference with the average wholesale tariff, 2024-25
<b>Energen Solar</b>	Solar	3,934,721	89,534,405	22.75	<b>-15.75</b>
Technaf Solartech Energy Ltd. (20MW)	Solar	35,974,312	606,530,853	16.86	-9.86
Sympa Solar Power Limited	Solar	12,685,966	199,718,143	15.74	-8.74
Teesta Solar Ltd. (200MW)	Solar	352,679,854	6,401,698,727	18.15	-11.15
Intraco Solar Power Ltd. (30MW)	Solar	60,694,184	1,171,926,775	19.31	-12.31
HDFC SinPower Ltd. (50MW)	Solar	90,665,328	1,863,696,401	20.56	-13.56
Spectra Solar Park	Solar	60,581,821	1,016,926,473	16.79	-9.79
Energen Renewables (BD) Ltd. 100MW - Mongla	Solar	174,111,857	2,910,835,552	16.72	-9.72
US-DK Green Energy (BD) Ltd. (60MW)	Wind	98,505,557	1,428,661,089	14.50	-7.50
Bangladesh China Renewable Energy Company Ltd.	Solar	104,833,998	1,295,579,088	12.36	-5.36
Dynamic Sun Energy Private Limited	Solar	140,692,847	2,048,133,175	14.56	-7.56
<b>EGB Sonagazi 75MW</b>	Solar	135,630,378	1,213,717,349	8.95	<b>-1.95</b>

# 9. Nature of Discriminatory Fiscal Incentives

## 9.8 Overall Findings

### Fiscal Structure Favors Fossil Fuels Over the Energy Transition

- Bangladesh's **fiscal regime** imposes substantially **lower tax burdens on fossil fuel imports** than on several technologies critical for the energy transition
- **LNG imports enjoy the** most favorable treatment, with a total tax incidence (TTI) of only **9.5%**, compared with **61–93%** for batteries, grid equipment, and electric vehicles.
- While solar and wind generation equipment face tax rates comparable to fossil-fuel power generation equipment, **technologies needed to integrate renewable energy** into the power system face significantly **higher fiscal burdens**.
- **Grid infrastructure, energy storage systems, and electric mobility solutions** bear the **highest effective tax rates** despite their central role in enabling a low-carbon energy system.
- The current tax structure **appears to prioritize short-term revenue generation** over long-term **energy transition objectives**.

# 9. Nature of Discriminatory Fiscal Incentives

## 9.8 Overall Findings

### **Fossil fuel producers enjoy extra financial value from the preferential fiscal structure**

- All three types of analysis reveals that **fossil fuel importers and fossil fuel- based power plants mostly are the beneficiaries** of the preferential fiscal structure in Bangladesh
- *Fiscal Incentive Analysis* reveals that **LNG importers are the receives highest financial benefits** from complete VAT exemption
- *Revenue Foregone Analysis* reveals that NBR is losing hefty amount of revenue due to preferential TTI for both LNG and coal import
  - LNG: **additional benefit of BDT 1293 crore** compared to that of solar and BDT 1059 crore compared to that of wind
  - Coal: **additional benefit of BDT 664 crore** compared to that of solar and BDT 241 crore compared to that of wind
- *Fossil Fuel Producer Subsidy Estimation* demonstrates **oil- based power generation** receives the highest and most significant amount of subsidy for both its capacity payment and high fuel cost
  - Whereas the subsidy provided for **renewable based power generation** is also significant because of its high upfront cost

# 9. Nature of Discriminatory Fiscal Incentives

## 9.8 Overall Findings

### Fiscal Policy Increasing the Cost of the Energy Transition

- High taxes on batteries, grid infrastructure, and EVs **increase the overall cost of decarbonization and slow the adoption** of clean energy technologies.
- Taxation of transmission and distribution equipment raises the cost of grid expansion and modernization, potentially constraining renewable energy integration.
- The **favorable treatment of LNG relative to renewable** energy technologies may influence investment decisions and **reinforce fossil fuel dependence**.
- The current fiscal framework creates a disconnect between Bangladesh's renewable energy ambitions and the incentives embedded in the tax system.
- **Strategic fiscal reforms targeting AT, RD**, and selected customs duties could reduce transition costs while improving policy coherence.

## **10. Nature of Public Spending and Investment**

# 10. Nature of Public Spending and Investment

## 10.1 ADP Share in RE-GM-SM Projects

- **Renewable Energy (RE):** This sector consists of 3 projects with a total RADP-26 allocation of 795.5 Crore Taka (Table 5).
- **Grid Modernization (GM):** There are 6 initiatives planned for grid upgrades with a total RADP-26 allocation listed at 228.2 Crore Taka.
- **Smart Metering (SM):** This category includes 5 projects aimed at digital utility management with a total allocation of 574.3 Crore Taka.

## 5.3 Poor Share of RE Based Projects

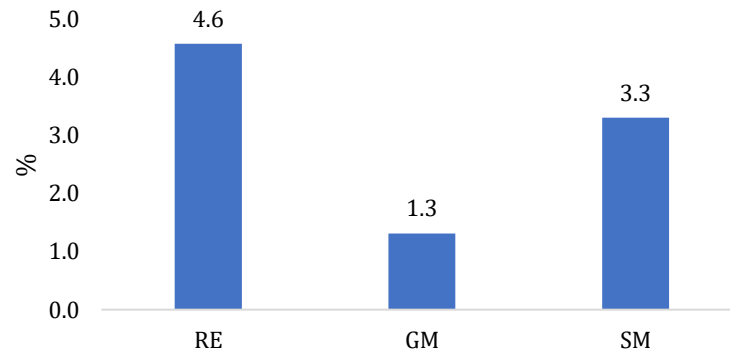
- Despite of **significant allocation** in the national budget for **Power and Energy:**
- Allocation for **RE project is significantly low (4.6% of PE RFY26)** (Figure 4).
- **GM** and **SM** projects holds the share around **1.3%** and **3.3%** respectively

Table 5. RFY26 Allocation for RE Category Projects

Type of Projects	No of Projects	Total Allocation (RFY26) Crore Taka
RE	3	795.5
GM	6	228.2
SM	5	574.3

Source: Budget Docs, MoF

Figure 4. ADP Share of RE-GM-SM Projects with Total Power Division Allocation, RFY26



Source: Budget Docs, MoF

# 10. Nature of Public Spending and Investment

## 10.2 FF vs. RE in the National Budget RFY26

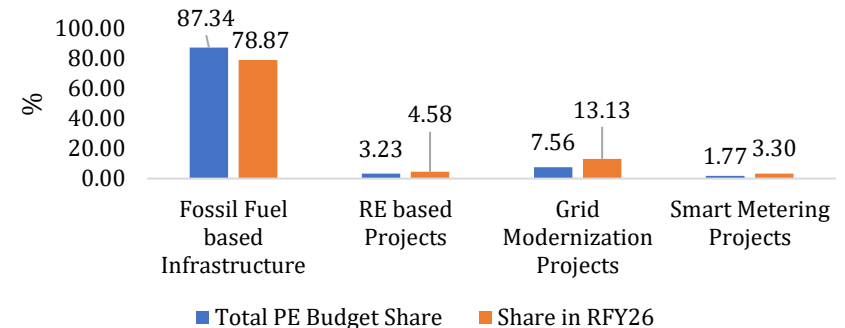
- The RFY26 allocation structure continues to demonstrate a **strong fiscal dominance** of **fossil fuel-based** infrastructure within the Power and Energy sector budget.
  - Fossil fuel-based projects account for **87%** (169886 Crore BDT) of the **total PE project budget** and receive **79% of RFY26 allocation** (13709 BDT Crore) (Table 6 & Figure 5).
- In contrast, **renewable energy** projects remain **significantly underprioritized** in the national budget framework.
  - **RE-based** projects account for only **3%** (6292 BDT Crore) of the **total PE project budget** and receive **merely 5% (3652 BDT Crore) of RFY26 allocation.**

**Table 6. RFY26 Comparison between FF vs RE**

Type of Project	Total Project Budget Crore BDT	RFY26 Allocation Crore BDT
Generation	72212	3155
Transmission and Distribution Line	95773	10547
Substation	1901	6
<b>Sub-Total</b>	<b>169886</b>	<b>13709</b>
Renewable Energy	6292	795
Grid Modernization	14701	2282
Smart Metering	3438	574
<b>Sub-Total</b>	<b>24431</b>	<b>3652</b>
Electrification	204	21
<b>Total</b>	<b>194521</b>	<b>17382</b>

Source: Budget Docs, MoF

**Figure 5. Share of RE and FF in RFY26**



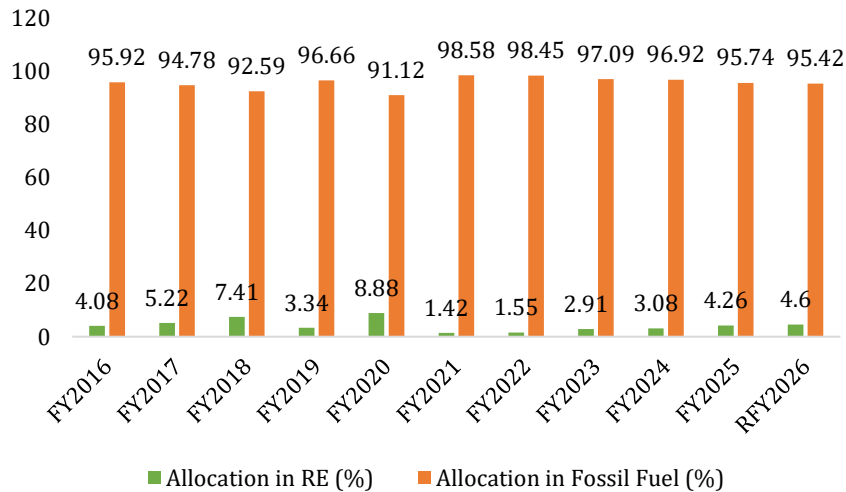
Source: Budget Docs, MoF

# 10. Nature of Public Spending and Investment

## 10.3 Fossil Fuel Bias in the Budget :The Anti-RE Fiscal Tilt

- Despite ambitious clean energy pledges, the actual government budget allocation remains disproportionately low.
- The budget allocation trend from FY2016 to RFY2026 shows a **persistent dominance of fossil fuel-based projects**, which consistently **absorb more than 90%** of total Power and Energy development allocation across the entire period (Figure 6).
- **RFY2026** shows a **marginal improvement** in RE allocation at **4.6%**, and **fossil fuel-based projects** still dominate at over **95%**, **reflecting** limited structural rebalancing in the national energy investment framework.
- The **FY2025-26** budget provides **no new incentives** for solar or other RE technologies and **omits the Tk 100 crore** allocation for RE that was **included** in the **previous fiscal year**.

**Figure 6. ADP Allocation in Renewable Energy and Fossil Fuel-Based Energy**



Source: Authors' Calculation & CPD IRBD Policy Brief June 2025

## **11. Recommendations**

# 11. Recommendations

- **In case of RE components where tax incidence exceeds the market rate must be down to the competitive rates**
  - In an overly fossil fuel dependent energy system that is in the beginning of the energy transition journey such type of decision may appear to be have an initial inflationary impact
  - But with time, as the RE will expand and volume of RE equipment and components import will substantially increase, such revenue loss impacts will be off-set
- **Remove the 7.5% Advance Tax (AT) on Solar and Wind Equipment**
  - Solar and wind components face TTIs of around **28–31%**, with AT contributing significantly to the burden.
  - Eliminating AT would immediately reduce project upfront costs without requiring major tariff restructuring.
- **Reduce Customs Duty on Lithium-Ion Batteries from 25% to 5%**
  - Currently, Lithium-ion batteries face a 61.8% TTI
  - As storage is essential for renewable integration and grid stability, battery taxation should be aligned with solar generation equipment.
- **Eliminate the 20% Supplementary Duty on Energy Storage Batteries**
  - The highest storage TTIs (up to 93.2%) are driven by SD and CD.
  - Supplementary Duty is difficult to justify on technologies required for decarbonization and energy security.

# 11. Recommendations

- **Reduce Customs Duty on Grid Infrastructure Components from 25% to 5%**
  - Transformers, conductors, towers and meters face TTIs between 61% and 93%.
  - Reducing CD from 25% to 5% would lower the TTI of these components by roughly 20 percentage points and reduce the cost of grid expansion needed for renewable integration.
  - Also, eliminate the 20% Supplementary Duty on Medium-Sized Transformers (16–500 KVA) and Low-Voltage Conductors
- **Rationalize the Tax Structure for Electric Mobility Technologies**
  - Electric vehicles currently face the highest tax burden among all energy-transition technologies, with Total Tax Incidence (TTI) ranging from **61.8% to 93.2**
  - To align fiscal policy with transport electrification objectives, the government should **eliminate the 20% Supplementary Duty (SD) and 3% Regulatory Duty (RD) on EVs, while reducing Customs Duty (CD) from 25% to 10%.**
- **The complete VAT exemption from the LNG import must be withdrawn**
  - NBR is foregoing very significant amount of revenue from the VAT exemption of LNG import and it is also artificially keeping the usage of LNG in the power generation competitive
  - To do justice with the other fuels, the VAT on **LNG must be redetermined at 15%**

# 11. Recommendations

- **Targeted incentives structure for fossil fuel such as capacity payment cannot be there**
  - In one hand, fossil fuels are indirectly being benefitted from the discriminatory tax structure
  - On top of that, they enjoy added financial benefit in the name of capacity payment which RE based power producers don't get
  - Such discriminatory measures must be stopped for both reducing PDB's loss and promoting energy transition
- **Imposition of higher taxes on fossil fuels and technologies in order to discourage their use**
  - Withdraw zero VAT on LNG
- **The national budget FY2026-27 must introduce Green subsidies and grants for energy transition**
  - This years' budget should have dedicated grants for energy transition, renewable energy, smart grid and EV
- **More climate responsive budgeting is expected from the MoF and MoPEMR**
  - More allocation from the development budget must be provided for the renewable energy-based power generation and grid strengthening projects
  - Foreign aid and grants can be a good source of financing such projects

**Thank You!**