

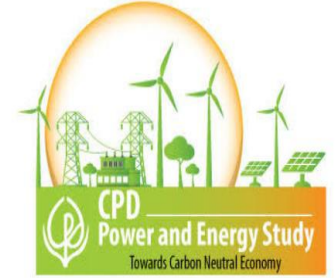
Proposed National Budget for FY2026-27: What is there on the Power and Energy Sector?

By
CPD Power and Energy Study

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1. Introduction

1. Introduction

- The new elected government has just announced their first National Budget for FY2026-27 on 11 June 2026
- As usual, the Power and Energy Sector has received its fair share of focus and attention in the proposed budget
- This year's budget has been announced during such a time when the power and energy sector is going through **multi-dimensional crisis** driven by the **geo-political conflict** and **inefficiencies in the domestic supply chain**
- However, the government has proposed to address these challenges by emphasising on the need of gradually **reducing dependency on the imported fossil fuel** and proposed to opt for positive alternatives such as renewable energy
 - The proposed budget for FY2026-27, has prioritised renewable energy more than ever before
- CPD Power and Energy Studies had organised an event on 7 June 2026, where recommendations on restructuring the sectoral fiscal structure to achieve **Green Fiscal Policy were made**
- Several recommendations have been reflected in the proposed national budget regarding solar power and related components, EV, energy storage system and grid modernisation
- Such supportive measures are encouraging; however, there are **still some missing elements** in the renewable energy supply chain that are yet to be addressed
- Hence it is important to assess in detail that from the energy transition point of view, to what extent the proposed budget can **help achieve the renewable energy transition goal** of 20% by 2030 and 30-50% by 2050
 - And if not, what other **fiscal and budgetary measures** need to be taken in the budget

2. The Power and Energy Sector in the National Budget FY2026-27

2.1 Overview of allocation for MoPEMR

The MoPEMR received a significant allocation in BFY27, in amount **BDT17,345 crore** (increased by 2.3% compared to RFY26)

- Total development budget received by MoPEMR is BDT 17,193 crore (increased by 2.3% compared to RFY26)
- The allocation for operational expenditure is BDT 152 crore which is 7.8% higher than RFY26.
- Though the budget increases than previous, but the share in total budget decrease from **2.15% to 1.85%**.
- Over the past decade, the share of P&E budgetary allocation for this sector has shown a linear downward trend (Figure 2).

Figure 1: Power and Energy Sector Budget Over the Years

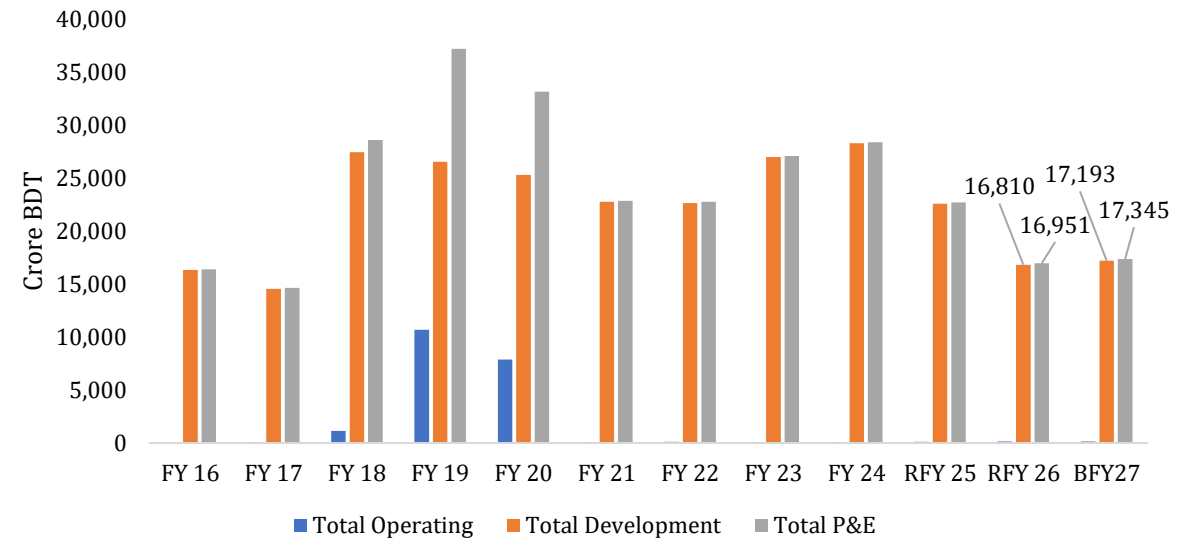
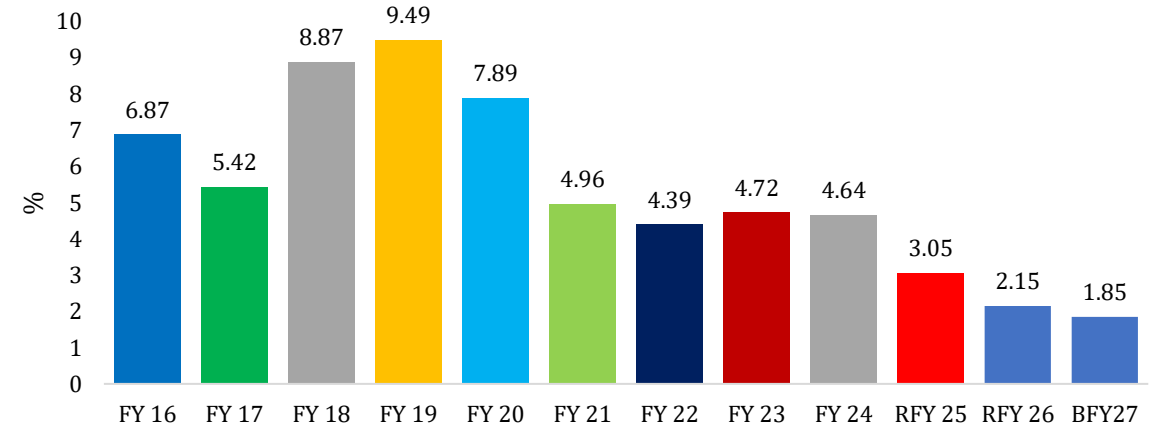


Figure 2: Share of Power and Energy in the National Budget (% of the total budget)



2.2 National Budget for the Power Division

In BFY26-27, the power division received an allocation of BDT **14,996 crore (decreased 3.9% from RFY26)**

- The development purpose allocation is BDT 14939 crore (**decreased 3.8% from RFY26**)
- However, the allocation for operational expenditure for BFY27 is BDT 57 crore (**increased 5.6% from RFY26**)

In contrast, the ADP allocation for Power Division increases 18.7% compared to RFY26.

- Though the number of projects reduced from 45 to 35 in BFY27.

Figure 3: Budget Allocation for Power Division

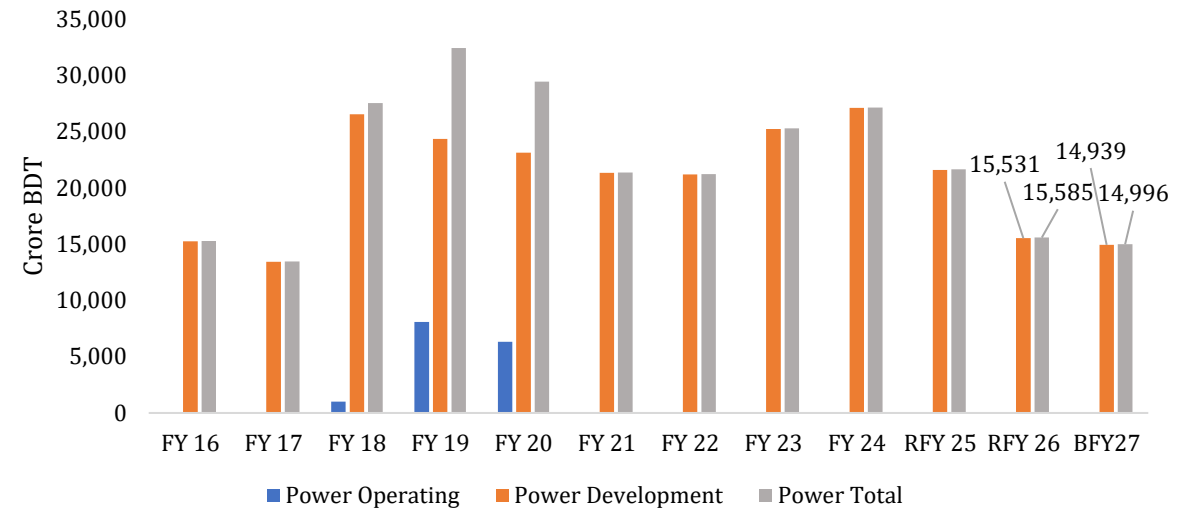
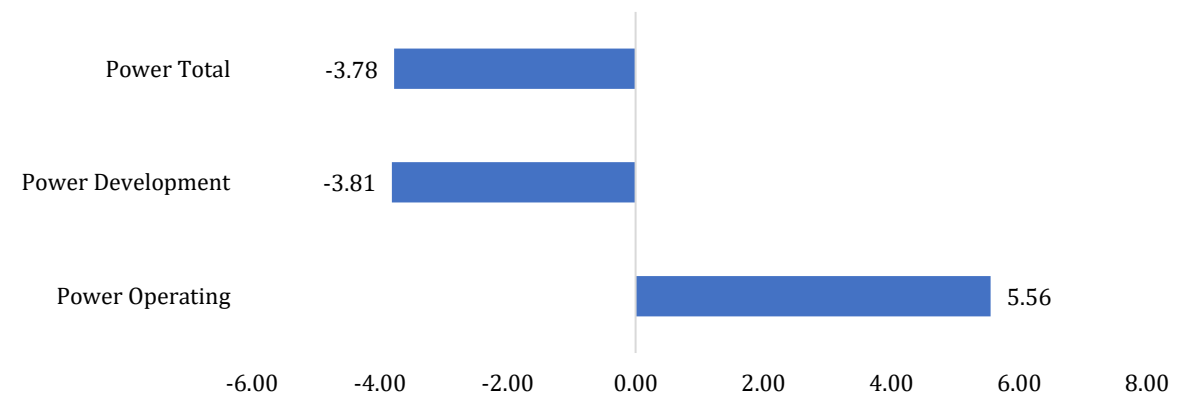


Figure 4: Change in Allocation (%) of Power Division (Compared to RFY26)

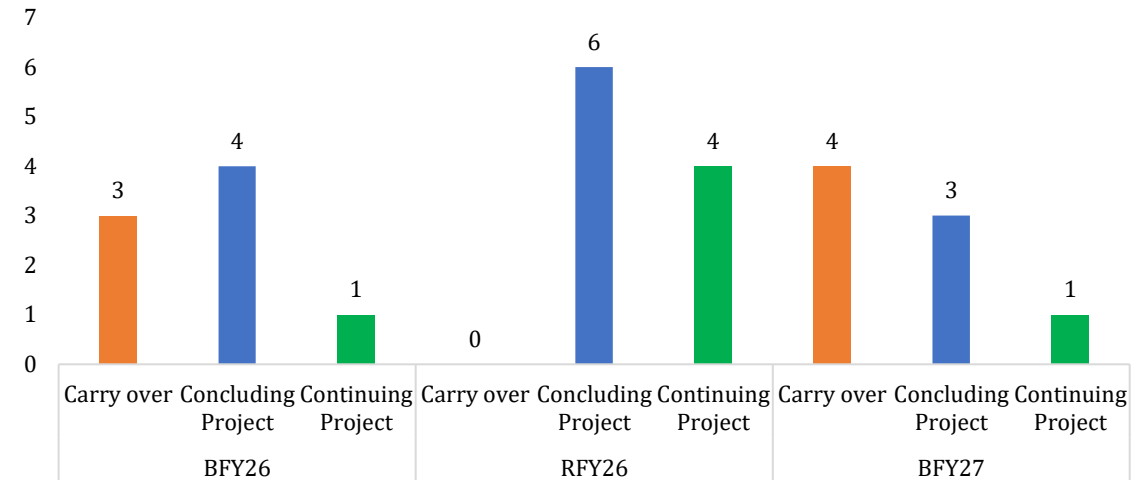


2.2 National Budget for the Power Division

2.2.1 Generation

- In BFY2026-27, an amount of **8 generation** related project received allocation.
 - Among them, 4 projects are in carry over stage, 3 in concluding stage and 1 in continuing stage.
- It is noticed that the carry over project **deadline increases to convert them into concluding stage.**

Figure 5: Generation Project in BFY26, RFY26 and BFY27



Source: Authors' Calculation based on ADP2026-27

- In BFY26 3 projects are in carry over stage, where RFY26 shows no carry over projects. By increasing the deadline, those projects are now in carry over stage in BFY27.
- We propose that, if some project are in concluding stage, by giving sufficient fund those to complete within the dedicated deadline.
- Another good point is, no new coal-based projects have been initiated this year.

2.2 National Budget for the Power Division

2.2.1 Generation

Table 1. Generation based project status

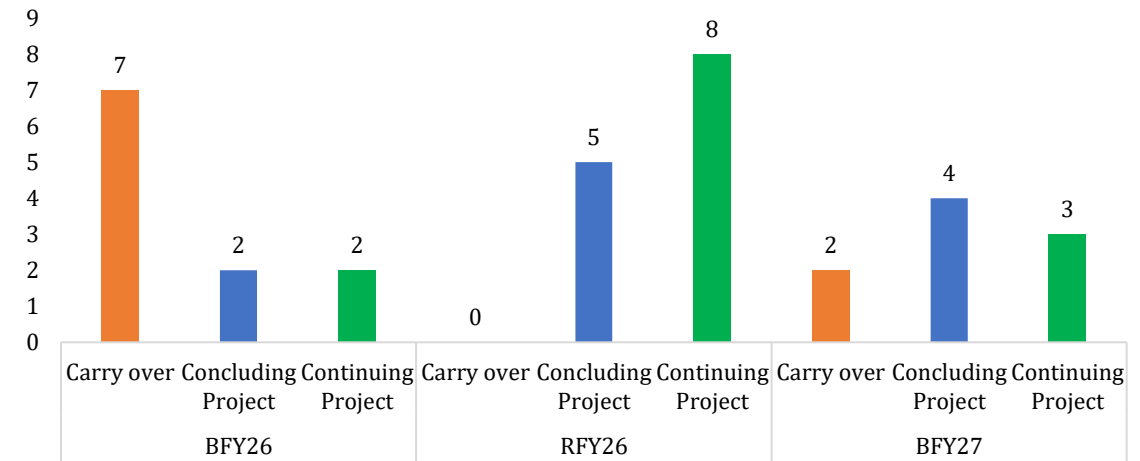
Project No.	Project Name	Project Timeline	Implementing Organization	Max Completion Rate by FY27 (%)	Type of Project
224019500	Construction of Rooppur Nuclear Power Plant (1st Revised)	(01/07/2016 - 30/06/2028)	BAEC	86.7	Continuing Project
224102800	Ghorashal-3 Repairing Project (2nd Revised)	(01/01/2015 - 31/10/2026)	BPDB	99.7	Concluding Project
224099700	Ghorashal 4th Unit Repowering Project (3rd Revised)	(01/07/2016 - 30/06/2027)	BPDB	96.2	Concluding Project
224365600	Construction of Gas Pipeline from Dhanua to Mymensingh for Gas Supply to Mymensingh Combined Cycle Power Plant	(19/07/2022 - 30/06/2026)	RPC	97.8	Carry over
224345000	Construction of 100 MW Solar Power Plant in Madarganj, Jamalpur District (1st Revised)	(01/09/2021 - 31/08/2025)	RPC	84.7	Carry over
224101400	Matarbari 2×600 MW Ultra Super Critical Coal Fired Power Project (1st Revised)	(01/07/2014 - 31/12/2026)	CPGCBL	91.7	Concluding Project
224237100	Rupsha 800 MW Combined Cycle Power Plant	(01/07/2018 - 30/06/2026)	NWPGCL	73.2	Carry over
223040400	Technical Assistance for Strengthening and Development of Sustainable Power Sector in Bangladesh (1st Revised)	(01/07/2020 - 30/06/2026)	Power Cell	81.3	Carry over

2.2 National Budget for the Power Division

2.2.2 Transmission

- In BFY2026-27, total **transmission related projects are 9.**
 - Among them, two project are in carry over stage, which earlier was in concluding stage, similar trend with generation projects.
 - Most of the projects (five) are transmission line extension, and one project was to check feasibility of 765kV transmission line.

Figure 6: Transmission Project in BFY26, RFY26 and BFY27



Source: Authors' Calculation based on ADP2026-27

- **Four projects** nearing completion, with physical progress of **88%, 87%, 80%, and 57%** as of RFY26, **received no allocation** in the current ADP, highlighting the need to prioritize funding for their timely completion and to avoid delays.
 - Among these, the **400/230/132 kV Grid Network Development Project**, a key transmission infrastructure initiative, received no allocation despite being near completion.

2.2 National Budget for the Power Division

2.2.2 Transmission

Table 2. Transmission based project status

Project No.	Project Name	Project Timeline	Implementing Organization	Max Completion Rate by FY27 (%)	Type of Project
224345200	Capacity Enhancement of Existing Grid Substations and Transmission Lines	(01/09/2021 - 28/02/2026)	PGCB	58.1	Carry over
224097500	Efficiency Improvement Project in Grid-Based Power Supply (1st Revised)	(01/01/2017 - 30/06/2026)	PGCB	93.7	Carry over
224098300	Power Grid Network Strengthening Project under PGCB (Revised)	(01/10/2016 - 30/06/2027)	PGCB	83.1	Concluding Project
224299700	Expansion and Strengthening of Power Transmission System in Chattogram Region (1st Revised)	(01/07/2019 - 30/06/2027)	PGCB	84.1	Concluding Project
224299800	Barapukuria–Bogura–Kaliakoir 400 kV Transmission Line (2nd Revised)	(01/01/2019 - 31/12/2026)	PGCB	80.1	Concluding Project
224300100	Expansion of Grid Transmission System in Dhaka and Western Region	(01/10/2019 - 31/12/2027)	PGCB	56.0	Continuing Project
224392200	Development of Transmission Infrastructure in Southern Chattogram Division and Kaliakoir Hi-Tech City	(01/07/2023 - 30/06/2028)	PGCB	52.4	Continuing Project
224413400	Power Transmission Strengthening and Integration of Renewable Energy	(01/07/2025 - 30/06/2030)	PGCB	21.4	Continuing Project
223042500	Technical Assistance Project for Feasibility Study of Madunaghat–Bhulta 765 kV Transmission Line	(01/07/2021 - 30/06/2027)	PGCB	66.5	Concluding Project

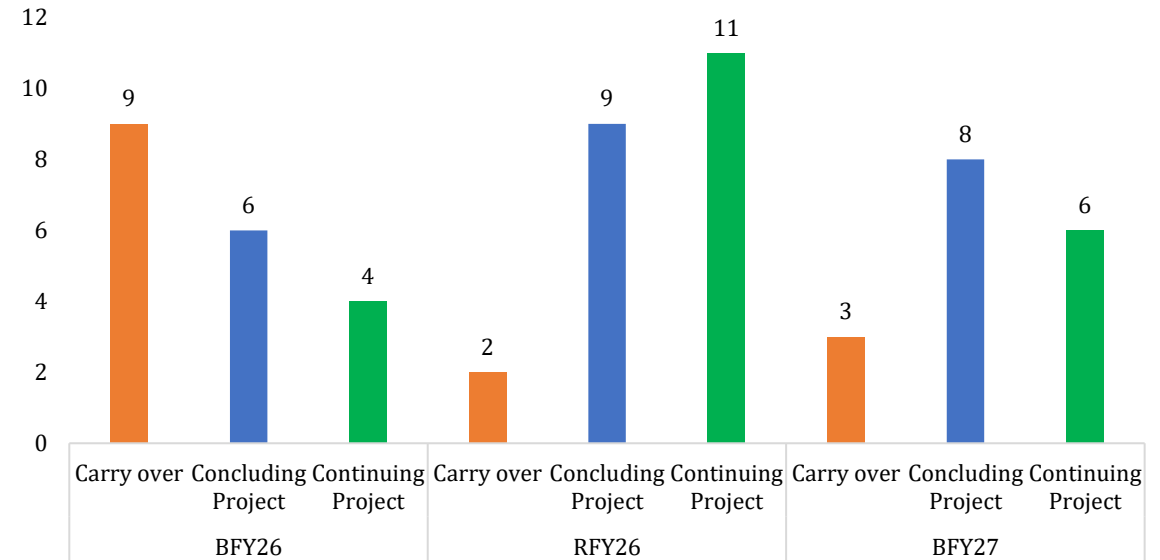
Source: Authors' Calculation based on ADP2026-27

2.2 National Budget for the Power Division

2.2.3 Distribution

- There are total **17 projects** are in BFY2026-27, which received significant allocation this year (**60% increased from RFY26**)
 - Of these, 3 projects are in carry over stage, 8 in concluding stage, and 6 in concluding stage.
 - A positive indicator is, among these projects 6 projects are for modernisation of substation and distribution line.
 - Three of them are smart metering projects which is also a key transition for grid modernisation.
 - Two new projects have been initiated this year related to distribution end modernisation.

Figure 7: Distribution Project in BFY26, RFY26 and BFY27



Source: Authors' Calculation based on ADP2026-27

- The concerning thing is, four crucial project didn't received allocation this year, and one of the project was **solar irrigation project (completion rate FY26: 40%)**.
 - Among these were **two distribution sector projects: DESCO's Smart Metering Project (22% completed) and NESCO's Smart Distribution System Project (80% completed)**, both of which received **no allocation** in the current ADP.

2.2 National Budget for the Power Division

2.2.3 Distribution

Table 3. Selected Distribution based project status

Project No.	Project Name	Project Timeline	Implementing Organization	Max Completion Rate by FY27 (%)	Type of Project
224265700	Development of Power Distribution System in Chattogram Zone (Phase 2) (2nd Revised)	(01/07/2018 - 30/06/2027)	BPDB	62.9	Concluding Project
224402000	Electrification at Bhasanchar of Noakhali District	(01/07/2024 - 30/06/2028)	BPDB	62.4	Continuing Project
224365100	Modernization and Capacity Enhancement of BPDB Distribution System (Dhaka-Mymensingh Division) (1st Revised)	(01/07/2022 - 30/06/2027)	BREB	61.0	Concluding Project
224365200	Renovation and Modernization of Existing 33/11 kV Pole Mounted Substations of BPDB (Phase-1)	(01/07/2022 - 30/06/2026)	BREB	43.6	Carry over
224417400	Modernization and Capacity Enhancement of 33/11 kV Outdoor Substations in Industrial Areas under BPDB	(01/07/2025 - 30/06/2029)	BREB	4.7	Continuing Project
224401000	Smart Prepaid Metering Project for West Zone Power Distribution Company Ltd. (2nd Phase)	(01/11/2023 - 30/04/2027)	WZPDCL	5.7	Concluding Project
224365300	Modernization of Power Distribution – Smart Grids Phase 1	(01/07/2022 - 31/12/2026)	WZPDCL	31.3	Concluding Project
224415700	Grid Power Evacuation System Development for WZPDCL	(01/07/2025 - 30/06/2028)	WZPDCL	7.9	Continuing Project
224370900	Expansion and Strengthening of Electrical Infrastructure in DESCO Area, Dhaka	(01/04/2022 - 31/03/2026)	DESCO	80.9	Carry over
224097800	Expansion and Strengthening of Power System Network under DPDC Area (1st Revised)	(01/01/2017 - 25/11/2026)	DPDC	76.4	Concluding Project
224333000	Construction and Rehabilitation of Substations, Installation of Capacitor Banks and Introduction of Smart Grid System under DPDC Area	(01/07/2020 - 30/06/2027)	DPDC	69.8	Concluding Project
224365500	Installation of Smart Prepaid Meters in NESCO Area in Rajshahi and Rangpur Divisions (1st Revised)	(01/07/2022 - 30/06/2026)	NESCO	91.3	Carry over
224418000	Network Infrastructure Development and Modernization of Power Distribution System in NESCO Area	(01/07/2025 - 30/06/2029)	NESCO	25.1	Continuing Project

Source: Authors' Calculation based on ADP2026-27

2.3 National Budget for the Energy Division

A significant jump has seen in the allocation of Energy division allocation of BFY2026-27 (**increased 72% in BFY27**), in amount BDT 2349 crore

- This hike is driven by the budget allocation **increase in the development budget** (increased **76%** compared to RFY26)
- Similarly, the operating budget also increased by **9.2%** compared to RFY26, in amount BDT 95 crore.

In contrast, the **ADP allocation** for Energy Division **increases 52.8%** compared to RFY26.

- Where the number of **projects increased** from 17 to 19 in BFY27.

Figure 8: Budget Allocation for Energy Division

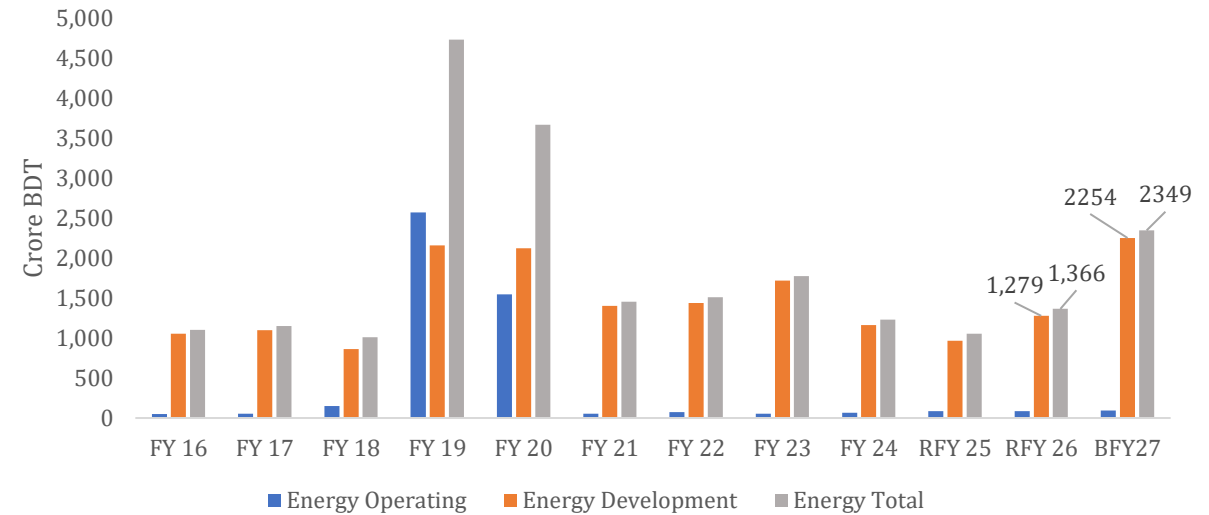
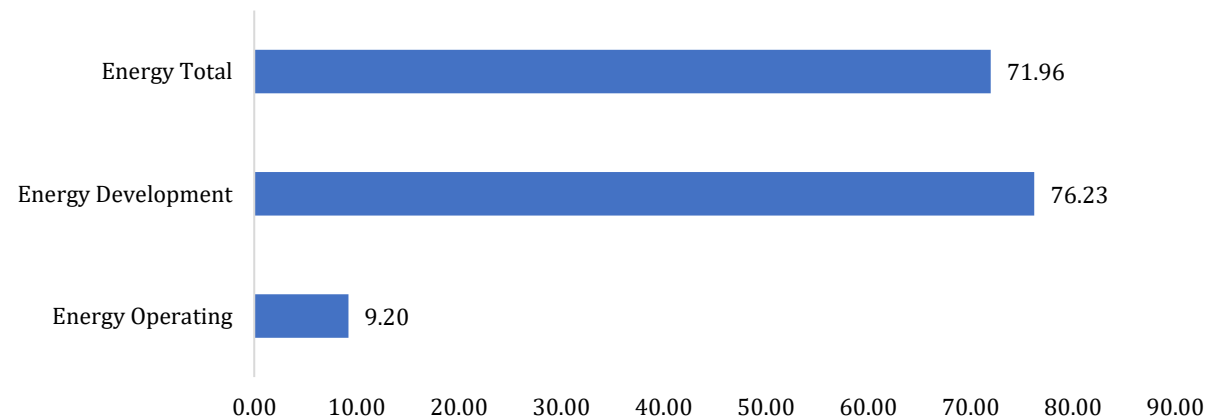


Figure 9: Change in Allocation of Power Division (Compared to RFY26)

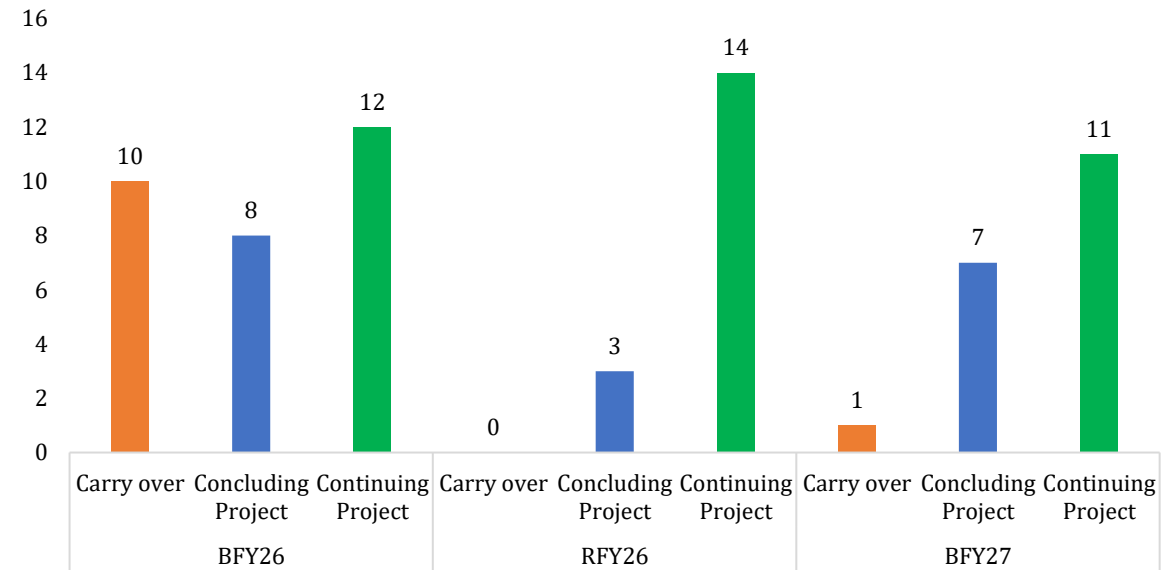


2.3 National Budget for the Energy Division

2.3.1 Fuel and Energy Related Project Status:

- In BFY 2026-27, total oil related projects are 3, and gas related projects are 14.
 - Of these projects, 1 project is in carry over stage, 7 are in concluding stage, and 11 are in continuing stage.
 - **Two new projects** have been included in BFY2026–27, notably the **modernization and expansion of Eastern Refinery Limited**.
 - The other project is drilling of 3 exploration wells.
- A project **nearing completion**, with **72% physical progress** in FY26, **did not receive any allocation** in the current year.

Figure 10: Fuel & Energy Project in BFY26, RFY26 and BFY27



Source: Authors' Calculation based on ADP2026-27

2.3 National Budget for the Energy Division

2.3.1 Gas

- **Observation:** Among the selected projects in the table, the projects which should be completed by FY27, any of the project could not be reach above 95% during this FY27. The carry over project also will be carried out to the next year.

Table 4. Selected Gas based project status

Project No.	Project Name	Project Timeline	Implementing Organization	Max Completion rate by FY27 (%)	Type of Project
224404100	Drilling of 2 Appraisal-cum-Development Wells (Sundalpur-4 and Srikail-5) and 2 Exploration Wells (Sundalpur South-1 and Jamalpur-1)	(01/10/2024 - 31/12/2026)	PetroBangla	83.2	Concluding Project
224405100	Procurement and Installation of a 60 MMSCFD Process Plant for Bhola North Gas Field	(01/01/2025 - 31/12/2026)	PetroBangla	82.7	Concluding Project
224405200	2D Seismic Survey over Exploration Blocks 7 and 9	(01/10/2024 - 30/06/2027)	PetroBangla	82.8	Concluding Project
224406800	3D Seismic Survey in Habiganj, Bakhrabad and Meghna Fields	(01/01/2025 - 30/06/2027)	PetroBangla	46.7	Concluding Project
224411100	Drilling of 2 Deep Exploration Wells in Titas and Bakhrabad Fields	(01/07/2025 - 31/12/2027)	PetroBangla	74.6	Continuing Project
224390600	Installation of Smart Prepaid Gas Meters, SCADA and GIS in the Areas under PGCL	(01/10/2023 - 30/09/2027)	PetroBangla	34.4	Continuing Project
224406100	Drilling of Dupitila-1 and Kailashtila-9 Exploration Wells	(01/10/2024 - 30/09/2026)	PetroBangla	38.3	Concluding Project
223050200	Technical Assistance Project for Energy Transition, Security and Energy Efficiency Improvement in the Energy Sector	(01/01/2024 - 31/12/2026)	PetroBangla	78.5	Concluding Project
223055200	Capacity Enhancement and Strengthening of the Drilling Capability of the Geological Survey of Bangladesh (GSB)	(01/07/2025 - 30/06/2028)	GSB	87.5	Continuing Project
223052500	Utilization of Geological Information for Climate-Resilient Urbanization (GICEU)	(01/07/2023 - 30/06/2026)	GSB	40.7	Carry over

Source: Authors' Calculation based on ADP2026-27

2.3 National Budget for the Energy Division

2.3.1 Oil

- **Observation:** The drilling project of Sylhet-12 which should be completed by FY27 according to its deadline, however the maximum completion rate of this project is 9% by FY27.
- Ultimately, this project will be carried over to the next year.

Table 5. Oil based project status

Project No.	Project Name	Project Timeline	Implementing Organization	Max Completion Rate by FY27 (%)	Type of Project
224424700	Modernization and Expansion of Eastern Refinery Limited (ERL)	(01/12/2025 - 30/11/2030)	BPC	0.6	Continuing Project
224406700	Drilling of Sylhet-12 Well (Oil Well)	(01/01/2025 - 31/12/2026)	PetroBangla	9.0	Concluding Project
224389300	Technical Assistance Project on Carbon Emission Reduction in Oil and Gas Production/Supply Systems (1st Revised)	(01/10/2023 - 30/09/2027)	PetroBangla	48.6	Continuing Project

Source: Authors' Calculation based on ADP2026-27

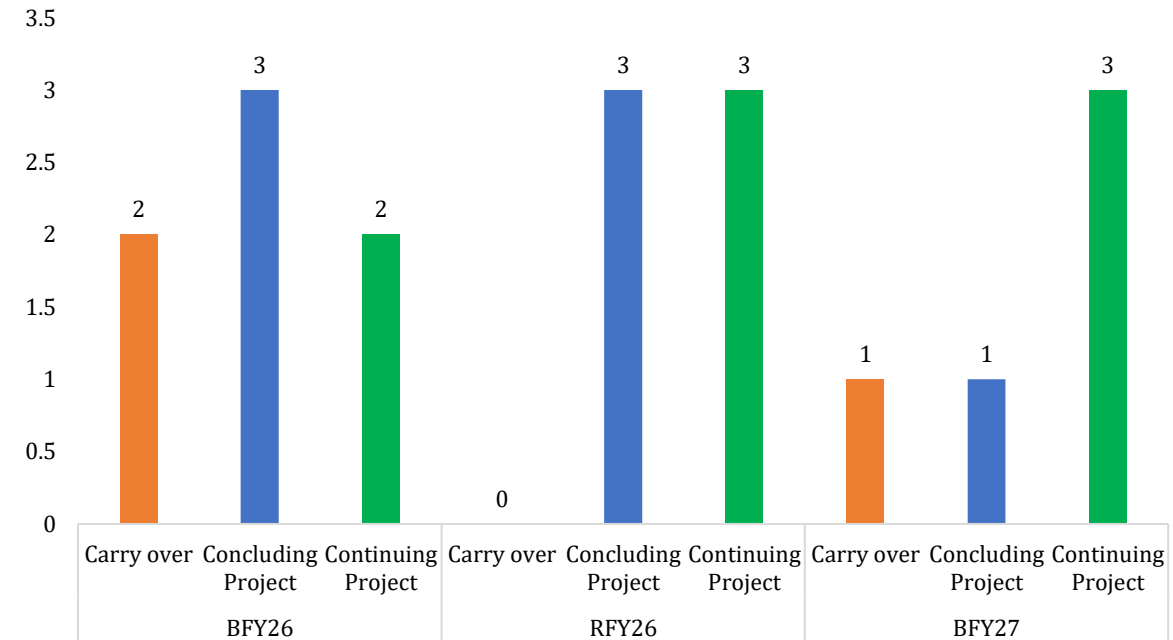
3. Renewable Energy in the National Budget FY2026-27

3. Renewable Energy in the National Budget FY2026-27

3.1 RE Project Status:

- In BFY 2026-27, total **RE related projects are 5**, of which 3 are allocated for power division and 2 are in energy division.
 - Among these, 1 project is in carry over stage, 1 is in concluding stage, and 3 are in continuing stage.
- The concerning thing is, **no new renewable/solar related project are added** in the present ADP27.
- Also, it is observed a decrease trend of RE project allocation in ADPs which raises questions to achieve high ambitious renewable goal of government.

Figure 11: RE Project in BFY26, RFY26 and BFY27



Source: Authors' Calculation based on ADP2026-27

3. Renewable Energy in the National Budget FY2026-27

3.1 RE Project Status:

- The table represents the completion rate of RE projects by this FY27. The 100MW solar power plant project which is a carry over project, due to insufficient allocation this year, it will be carried over again in the upcoming year.
- The concluding projects are also not in a shape to be completed by this FY27.

Table 6. RE project status

Project No.	Project Name	Project Timeline	Implementing Organization	Max Completion Rate by FY27 (%)	Type of Project
224345000	Construction of 100 MW Solar Power Plant in Madarganj, Jamalpur District (1st Revised)	(01/09/2021 - 31/08/2025)	RPC	84.7	Carry over
224417700	Energy Efficient and Low Carbon-Based Urban Development Project	(01/07/2024 - 30/06/2029)	SREDA	36.2	Continuing Project
223050200	Technical Assistance Project for Energy Transition, Security and Energy Efficiency Improvement in the Energy Sector	(01/01/2024 - 31/12/2026)	PetroBangla	78.5	Concluding Project
224389300	Technical Assistance Project on Carbon Emission Reduction in Oil and Gas Production/Supply Systems (1st Revised)	(01/10/2023 - 30/09/2027)	PetroBangla	48.6	Continuing Project
224413400	Power Transmission Strengthening and Integration of Renewable Energy	(01/07/2025 - 30/06/2030)	PGCB	21.4	Continuing Project

Source: Authors' Calculation based on ADP2026-27

3. Renewable Energy in the National Budget FY2026-27

3.2 Unapproved RE Projects:

- In BFY 2026-27, a total of **11 RE projects didn't** received allocation this year
 - Of these, three projects are related to grid modernisation, **7 projects related to solar, 1 project related to battery storage** system.
 - The unapproved solar projects worth of the capacity of **640MW**.
 - The unapproved project capacity of BESS is 25MWh.
- This kind of decision raises serious concern, where renewable energy still be overshadowed by Fossil Fuel,

Table 7. Unapproved RE Projects

Type of Project	Number of Projects	Capacity
BESS	1	25 MWh
Grid Modernisation	3	-
Renewable Energy (Solar)	7	640 MW
Total	11	-

Source: ADP2026-27

3. Renewable Energy in the National Budget FY2026-27

3.2 Unapproved RE Projects:

Table 8: Unapproved RE Projects in FY2026-27

Type	Project Name	Period	Sub Sector
BESS	Grid-Scale Battery Energy Storage System Piloting Project	Dec 2025 - Nov 2027	Transmission
GM	Modernization and Capacity Enhancement of BPDB's Power Distribution System (Rajshahi-Rangpur Division)	Jan 2026 - Dec 2030	Distribution
GM	Modernization and Capacity Enhancement of BPDB's Power Distribution System (Chattogram-Sylhet Division)	Jan 2026 - Dec 2030	Distribution
RE	Construction of a 109.77 MWp (82.5 MW AC) Grid-Connected Solar Photovoltaic Power Plant at Sonagazi, Feni	Jul 2026 - Jun 2029	Generation
RE	Gazaria 66 MW Solar Power Plant with 10 MWh Battery Storage	Jul 2026 - Jun 2029	Generation
RE	70 MW Grid-Tied Solar Power Project at Matarbari, Cox's Bazar	Jul 2026 - Jun 2034	Generation
RE	Construction of the Madarganj 150 MW Solar Power Plant	Jul 2026 - Jun 2029	Generation
RE	Capacity Enhancement and Installation of Rooftop Solar Systems in Char Areas and Substations under NESCO	Jul 2026 - Jun 2029	Distribution
RE	Patuakhali 100 MW Solar Power Plant with 15 MWh Battery Storage	Jan 2027 - Dec 2029	Generation
GM	Transmission Grid Enhancement and Modernization	Jan 2027 - Dec 2031	Transmission
RE	Raipura 150 MW (AC) Grid-Tied Solar Power Plant Project	Jul 2027 - Jun 2030	Generation

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.1 Electricity Generation: Gas

- According to the budget speech, Government has undertaken initiatives to diversify energy sources and is placing the **highest priority on intensifying domestic gas exploration** to enhance energy security and reduce external vulnerabilities
- BAPEX has planned have been adopted to undertake **270 km of geological surveys, 700 line-km of two-dimensional (2D) seismic surveys and 700 square kilometres of three-dimensional (3D) seismic surveys** during the period from FY2025-26 to FY2027-28
- BAPEX also plans to drill **69 wells** and carry out **workover operations on 31 wells** using its own drilling rigs
- A new Bangladesh Offshore Bidding Round has been announced to facilitate oil and gas exploration in offshore areas.
- In order to attract offshore exploration and production activities and ensure participation by international oil companies, the Model Production Sharing Contract (PSC) has been revised while safeguarding national interests.
- **Nine shallow-water blocks and fifteen deep-water** blocks have been opened for international oil companies, where exploration activities will be undertaken under production-sharing agreements.
- Furthermore, initiatives have been taken to procure **two new exploration rigs for BAPEX** to enhance national exploration capacity.
- Through the critical mineral exploration initiative, the Government is also placing special emphasis on offshore gas and unconventional hydrocarbon exploration beyond conventional energy resources.

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.1 Electricity Generation: LNG

- The proposed national budget continues with the **favourable fiscal treatment to LNG** import
- As it is known that LNG imports face the lowest tax burden among all energy categories
- Full VAT exemption from the LNG import still continues to get priority
- Several LNG products face only 9.5% TTI.
- LNG imports benefit from zero VAT and only 2% AIT.

Table 9: Fiscal Treatment of LNG

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

Source: NRB's Operative Tariff of FY25-26

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.1 Electricity Generation: Coal

- Even though the new government has energy transition targets, expansion of domestic **coal exploration has been emphasised** in the budget speech of FY2026-27
 - It is mentioned that, to ensure the optimal utilisation of the mineral resources, production targets of **6 lac metric tonnes** of coal has been set for FY2026-27
 - New projects have been undertaken for the development of the **Barapukuria Second Phase** and the **Dighipara Coal Field** to enhance coal extraction
- The proposed budget also extends the fiscal support for coal imports by power plants
 - Concessionary duty benefits on coal imports by power plants will be extended until 30 June 2030
- Currently coal imports face a TTI of approximately 27.5%
- Such fiscal favours given to the dirty coal is nothing but a hindrance towards energy transition

Table 10: Fiscal Treatment of Coal

Component	Type	CD	SD	VAT	AIT	RD	AT	TTI
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

Source: NRB's Operative Tariff of FY25-26

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.1 Electricity Generation: Petroleum Oil

- Government has taken initiatives to ensure maximum utilisation of the existing 601.50 kilometres of fuel transportation pipelines
- To increase petroleum refining and storage capacity, the budget proposed to establish a new crude oil refinery with an annual refining capacity of **50 lac metric tonnes in Chattogram** or another coastal industrial zone
 - As part of this initiative, steps have been taken to establish the **Second Eastern Refinery Limited (ERL-2) with a capacity of approximately 30 lac metric tonnes**
 - Withholding tax rate on the supply of fuel oil by refineries will be reduced from 1.5% to 1%
- Oil products generally face the highest TTI compared to other fuels, however, lower tax burdens than storage, EVs, and grid equipment
- In addition, a **Smart Fuel Distribution Monitoring System** has been introduced in 2,722 fuel tank lorries to strengthen monitoring of fuel transportation
- Measures have also been undertaken to operationalise the Single Point Mooring (SPM) facility for petroleum unloading

Table 11: Fiscal Treatment of Petroleum Oil

Component	Type	CD	SD	VAT	AIT	RD	AT	TTI
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

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.1 Electricity Generation : Solar

- The proposed budget for the first time ever has favoured solar based electricity generation in Bangladesh
 - It has proposed **zero percent tax rate on the solar power** sector until 2035
 - Consumers will get a **5% tax rebate** on payments made against their solar electricity bills
 - Import duty, regulatory duty, supplementary duty, and advance tax on essential solar-power components proposed to be zero effective up to 30 June 2031
- Solar technologies generally face a Total Tax Incidence (TTI) of around 27.5–28.7%
 - The budget proposes to **downward revise it to 22%**
- Components, such as solar lantern parts and solar water heater systems, face moderately higher tax burdens (39.75%)
 - These cluster of components remain unchanged
- However, necessary components for power plant installation such as aluminum/ steel structure, different type of electric conductors face highest tax burden ranging from 62-93%
 - The budget proposed to significantly reduce the components of this cluster ranging from **26-38%**

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.1 Electricity Generation: Solar

Table 12: Proposed Fiscal Treatment of Solar

Component	Current Fiscal Treatment of Solar							Proposed Fiscal Treatment of Solar and Related equipment in FY2026-27							Status
	CD	SD	VAT	AIT	RD	AT	TTI	CD	SD	VAT	AIT	RD	AT	TTI	
PV Cells — assembled modules/panels	1	0	15	5	0	7.5	28.7	0	0	15	5	0	0	22.2	Reduced
PV Cells — not assembled	0	0	15	5	0	7.5	27.5	0	0	15	5	0	7.5	27.5	Unchanged
Photovoltaic Generators (all types)	1	0	15	5	0	7.5	28.7	1	0	15	5	0	7.5	28.7	Unchanged
Parts Of Electric Accumulators, Nes	10	0	15	5	0	7.5	39.8	0	0	15	5	0	0	22.3	Reduced
Solar Inverters	1	0	15	5	0	7.5	28.7	0	0	15	5	0	0	20.7	Reduced
Solar Water Heaters	0	0	15	5	0	7.5	27.5	0	0	15	5	0	7.5	27.5	Unchanged
Solar-powered Water Distillation Plant	1	0	15	5	0	7.5	28.7	1	0	15	5	0	7.5	28.7	Unchanged
Solar Powered Lanterns/Lamps	0	0	15	5	0	7.5	27.5	0	0	15	5	0	7.5	27.5	Unchanged
Parts of Solar Lanterns/Lamps	10	0	15	5	0	7.5	39.8	10	0	15	5	0	7.5	39.8	Unchanged
Solar Water Heater	10	0	15	5	0	7.5	39.8	10	0	15	5	0	7.5	39.8	Unchanged
Structures And Parts Of Structures, Nes, Of Iron Or Steel	25	0	15	5	3	7.5	61.8	0	0	15	5	0	0	26.3	Reduced
Aluminum Structure And Parts Of Structures..., Nes	25	0	15	5	3	7.5	61.8	0	0	15	5	0	0	26.3	Reduced
Battery Management System (Other)	10	0	15	5	0	7.5	39.8	0	0	15	5	0	0	22.3	Reduced
Boards...Equipped With Two/More Apparatus Of 85.35/85.36, Voltage > 1000v	10	0	15	5	0	7.5	39.8	0	0	15	5	0	0	22.3	Reduced
Other electric conductors for a voltage not exceeding 1,000 V: Fitted with conn	25	20	15	5	3	7.5	93.2	0	0	15	5	0	0	37.7	Reduced
Electric Conductors, Nes, For A Voltage <=80 V, Not Fitted With Connectors	25	0	15	5	3	7.5	61.8	0	0	15	5	0	0	26.3	Reduced
Other electric conductors, for a voltage exceeding 1000V	25	0	15	5	3	7.5	61.8	0	0	15	5	0	0	26.3	Reduced
Automatic Regulating Or Controlling Instruments And Apparatus, Nes	5	0	15	5	0	7.5	33.6	0	0	15	5	0	0	21.1	Reduced
Lithium-ion batteries	25	0	15	5	3	7.5	61.8	0	0	15	5	0	0	26.3	Reduced

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.1 Electricity Generation: Energy Storage

- 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% which proposed to be 26.3%** in the upcoming fiscal year
- But other two components Electric accumulators and Primary manganese dioxide batteries faces same TTI

Table 13: Proposed Fiscal Treatment of Energy Storage

Fiscal Treatment of Energy Storage Components								Proposed Fiscal Treatment of Energy Storage Components							Status
Component	CD	SD	VAT	AIT	RD	AT	TTI	CD	SD	VAT	AIT	RD	AT	TTI	
Lithium-ion batteries	25	0	15	5	3	7.5	61.8	0	0	15	5	0	0	26.3	Reduced
Electric accumulators	25	0	15	5	3	7.5	61.8	25	0	15	5	3	7.5	61.8	Unchanged
Primary manganese dioxide batteries	25	20	15	5	3	7.5	93.2	25	20	15	5	3	7.5	93.2	Unchanged

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.1 Electricity Generation: Wind

- **No fiscal or budgetary** measures has been proposed for the wind- based electricity generation
- Wind-powered generating sets face a TTI of approximately 28.7%.
 - The tax treatment of wind equipment is broadly similar to solar equipment

Table 14: Proposed Fiscal Treatment of Wind

Fiscal Treatment of Wind Energy Components								Proposed Fiscal Treatment of wind and Related equipment in FY2026-27							
Component	CD	SD	VAT	AIT	RD	AT	TTI	CD	SD	VAT	AIT	RD	AT	TTI	Status
Wind-powered generating sets	1	0	15	5	0	7.5	28.7	1	0	15	5	0	7.5	28.7	Unchanged

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.2 Grid Modernisation

- Grid and transmission equipment faces some of the highest tax burdens among renewable energy technologies, with TTI ranging from **33.6% to 93.2%**
- The budget has proposed tariff reduction in **only two components**; Boards equipped w/ apparatus >1000V and Electric conductors ≤1000V w/ connectors
- Critical components such as transformers, conductors, towers, and meters are still subject to multiple layers of taxation, including CD, VAT, AIT, RD, and AT.
 - Those strategic grid assets face tax rates exceeding **60%**, while one component still faces tax burdens **above 90%**.
- High taxation increases the cost of expanding and upgrading transmission and distribution infrastructure.

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.2 Grid Modernisation

Table 14: Proposed Fiscal Treatment of Grid Modernisation

Fiscal Treatment of Grid and Transmission Components								Proposed Fiscal Treatment of Grid and Transmission Components							
Component	CD	SD	VAT	AIT	RD	AT	TTI	CD	SD	VAT	AIT	RD	AT	TTI	Status
Transformers >500 KVA	25	0	15	5	3	7.5	61.8	25	0	15	5	3	7.5	61.8	Unchanged
Liquid dielectric transformers ≤650 KVA	25	0	15	5	3	7.5	61.8	25	0	15	5	3	7.5	61.8	Unchanged
Transformers 16–500 KVA	25	20	15	5	3	7.5	93.2	25	20	15	5	3	7.5	93.2	Unchanged
Wire of refined copper >6mm	5	0	15	5	0	7.5	33.7	5	0	15	5	0	7.5	33.7	Unchanged
Boards equipped w/ apparatus >1000V	10	0	15	5	0	7.5	39.8	0	0	15	5	0	0	22.3	Reduced
Automatic circuit breakers ≤1000V	10	0	15	5	0	7.5	39.8	10	0	15	5	0	7.5	39.8	Unchanged
Isolating switches >1000V	10	0	15	5	0	7.5	39.8	10	0	15	5	0	7.5	39.8	Unchanged
Electric conductors >1000V	25	0	15	5	3	7.5	61.8	25	0	15	5	3	7.5	61.8	Unchanged
Towers and lattice masts (iron/steel)	25	0	15	5	3	7.5	61.8	25	0	15	5	3	7.5	61.8	Unchanged
Electric conductors ≤1000V w/ connectors	25	20	15	5	3	7.5	93.2	0	0	15	5	0	0	37.7	Reduced
Kilowatt-hour meters	25	0	15	5	3	7.5	61.8	25	0	15	5	3	7.5	61.8 ³⁴	Unchanged

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.3 Transport: Electric Vehicle

- EVs face among the highest tax burdens in the energy sector.
- Three-wheeler EVs and electric-motor vehicles face a TTI of 93.16% to 132.36%
- Matching the government’s strategic focus on EV and making the adoption more favorable, it has taken several measures
 - Import duties on **EV charging** equipment have been **eliminated**, declining from **39.75% to 0%** representing a highly **commendable** initiative to accelerate the development of EV charging infrastructure.
 - To facilitate the growth of **EV**, the **import duty** have been **reduced** from **93% to 64% and 80%** for EVs priced at \$25,000 and \$50,000 respectively

Table 15: Tax structure for EV

- Annual **income tax** on all kinds of EVs has been substantially **reduced** for from **BDT 2 Lakhs to BDT 25k, 50k, 75k, and 100k** for the power capacity of **200, 300, 400, and above 400kW**

EV Power Capacity	Present Rate	Proposed New income tax FY27
200 kW	BDT. 200,000	BDT. 25,000
300 kW	BDT. 200,000	BDT. 50,000
400 kW	BDT. 200,000	BDT. 75,000
400 kW above	BDT. 200,000	BDT. 100,000

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.3 Transport: Electric Vehicle

Table 16: Proposed Fiscal Treatment of EV

Category	FY26							FY27							Changes
Description EV Category	CD	SD	VAT	AIT	RD	AT	TTI	CD	SD	VAT	AIT	RD	AT	TTI	% Point Reduced
Other Motor Cars, CKD, capacity >1000cc, but ≤1500cc	25	20	15	5	3	7.5	93.16	25	0	15	5	5	7.5	64.25	28.91 (Reduced)
Other Motor cars, CKD, cylinder capacity not >1000 cc	25	20	15	5	3	7.5	93.16	15	0	15	5	5	7.5	52	41.16 (Reduced)
Motor cars and oth vehicles, Incl. station wagons, CBU, brand new, Cyl Cap <1800cc	25	20	15	5	3	7.5	93.16	25	10	15	5	0	7.5	73.44	19.72 (Reduced)
Motor cars and Oth vehicles, Includ. station wagons, CBU, Reconditioned, Capacity <1800c	25	20	15	5	3	7.5	93.16	25	10	15	5	5	7.5	80.17	12.985 (Reduced)
Motor cars & oth vehicles, incl stn wagons, CBU, brand new, >1800CC, but not >2000CC	25	45	15	5	3	7.5	132.36	25	20	15	5	5	7.5	96.1	36.26 (Reduced)
Motor cars and other vehicles, incl. stn. wagons, CBU, Recond, >1800cc, ≤2000cc	25	45	15	5	3	7.5	132.36	25	20	15	5	5	7.5	96.1	36.26 (Reduced)
Microbus, brand new	25	30	15	5	3	7.5	108.84	25	10	15	5	5	7.5	80.17	28.665 (Reduced)
Solar Charging Station Equipment							39.75							0	39.75 (Reduced)

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.3 Transport: Fossil Car

- Conversely, import duties on **internal combustion engine (ICE)** vehicles have been **increased by 23.52%** to discourage their use and support the transition toward cleaner transportation

Table 17: Proposed Fiscal Treatment of Fossil Car

Category	FY26							FY27							Changes
Description ICE Category	CD	SD	VAT	AIT	RD	AT	TTI	CD	SD	VAT	AIT	RD	AT	TTI	% Point changes
Recond.Motor Cars & oth. Vehicles,incl.stn. wagons,CBU, cap.>1000cc,but=<1500cc	25	45	15	5	3	7.5	132.36	25	45	15	5	5	7.5	135.91	3.55 (Increased)
Recon Ambulance fitted with essen. equip. passen cabin leng>9ft cap >1000cc,<=1500cc	5	0	15	5	0	7.5	33.63	5	0	15	5	0	7.5	33.63	0 (Unchanged)
Reconditioned Microbus, CBU, capacity >1000cc, but <=1500cc	25	20	15	5	3	7.5	93.16	25	20	15	5	5	7.5	96.1	2.94 (Increased)
Other Motor Cars & Vehicles,incl.stn. wagons,CBU, cap.>1000cc,but=<1500cc	25	45	15	5	3	7.5	132.36	25	60	15	5	5	7.5	159.8	27.44 (Increased)

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.4 Solar Irrigation

- **Little to no emphasis** has been given to incentivize solar irrigation
- The budget speech only mentions that, **98 solar-powered irrigation pumps and 27 solar-powered** dug-wells will be installed
- However, as duty and advance tax on several solar components has been reduced, farmers can be benefitted from that

Table 18: Proposed Fiscal Treatment of Solar Irrigation

Component	Current Fiscal Treatment of Solar Irrigation							Proposed Fiscal Treatment of Solar Irrigation in FY2026-27							Status
	CD	SD	VAT	AIT	RD	AT	TTI	CD	SD	VAT	AIT	RD	AT	TTI	
PV Cells — assembled modules/panels	1	0	15	5	0	7.5	28.7	0	0	15	5	0	0	22.2	Reduced
PV Cells — not assembled	0	0	15	5	0	7.5	27.5	0	0	15	5	0	7.5	27.5	Unchanged
Solar Inverters	1	0	15	5	0	7.5	28.7	0	0	15	5	0	0	20.7	Reduced
Photovoltaic Generators (all types)	1	0	15	5	0	7.5	28.7	1	0	15	5	0	7.5	28.7	Unchanged
Lithium-ion batteries	25	0	15	5	3	7.5	61.8	0	0	15	5	0	0	26.3	Reduced
Other electric conductors for a voltage not exceeding 1,000 V: Fitted with conn	25	20	15	5	3	7.5	93.2	0	0	15	5	0	0	37.7	Reduced
Electric Conductors, Nes, For A Voltage <=80 V, Not Fitted With Connectors	25	0	15	5	3	7.5	61.8	0	0	15	5	0	0	26.3	Reduced
Other electric conductors, for a voltage exceeding 1000V	25	0	15	5	3	7.5	61.8	0	0	15	5	0	0	26.3	Reduced
Excl. Sticker imp. by VAT reg. electric fan or water pump motor manf. Ind.	25	0	15	5	3	7.5	61.8	25	0	15	5	3	7.5	61.8	Unchanged

4. Budgetary and Fiscal Proposals in the National Budget for FY2026-27

4.5 Subsidy in Proposed Budget

- The FY2026–27 budget proposes **Tk 37,000 crore for electricity**, in RFY2026 the allocation has been set at Tk 36,000 crore
 - This is mainly to make up for **BPDB's loss** from electricity purchase from IPPs, rental and quick rentals
- This fiscal year, Tk 6,000 crore was allocated, but due to the war, an additional **Tk 11,170 crore** may be required in the LNG sector
- About **Tk 10,258 crore** may be required for petroleum oil even after increasing the oil price twice
- Govt. has indicated to reduce the total subsidy in the upcoming years through rationalizing electricity subsidy
- Hence there is a possibility that government may do that by **upward revising the electricity tariff** and pushing the burden on the consumers
- Govt. must not take such decisions rather should opt for measures to **phase out capacity payment from fossil fuel**

5. Effectiveness of the Proposed Budget for Renewable Energy Adaptation

5. Effectiveness of the Proposed Budget for Renewable Energy Adaptation

5.1 Has RE received adequate budget?

- Traditionally, renewable energy has never received adequate allocation from Annual Development Programme (ADP)
 - The allocation disparity between renewable energy (RE) and fossil fuel (FF)-based generation persists in BFY27
 - **FF projects accounting for 98%** of total generation-sector allocations compared to only **2% for RE projects**
 - Allocation for RE project has been reduced compared to the RADP FY26 (4.6% of PE RFY26)
- *RE is not receiving enough budget from the huge Power and Energy Sector budget*
- *Such low allocation can never help the government to meet its energy transition goal in 2030*

5. Effectiveness of the Proposed Budget for Renewable Energy Adaptation

5.2 Will the fiscal and budgetary incentives support RE transition?

- Even though the proposed budget seems very renewable energy friendly from the top, if we look closer the scenario doesn't seem this much positive
 - There are still quite a few components which has **higher TTI than coal and LNG**
 - Specially incase of energy storage system, the **TTI still stands at 62% and 93%**
 - But what more concerning is, the restricting list of conditionalities that needs to be met to enjoy the tariff exemptions
 - The benefits primarily apply to select solar power generation companies and firms operating under the RESCO (Renewable Energy Service Company) model
 - This **leaves out 63% of the country's total electricity consumers** including residential users, small business owners, and rural solar irrigation projects
- **The proposed budget will encourage private sector to move towards renewable energy transition, however, restructuring the fiscal treatment may be needed for end user benefits**

5. Effectiveness of the Proposed Budget for Renewable Energy Adaptation

5.3 Can MoPEMR successfully implement grid modernisation?

- The proposed budget hasn't reduced import duties and advance tax from majority of the grid components
- Those strategic grid assets face tax rates exceeding 60%, while one component still faces tax burdens above 90%
- Such high tariffs will continue to discourage grid modernisation

➤ *The proposed budget will fail to expedite grid modernisation for RE adaptation*

5. Effectiveness of the Proposed Budget for Renewable Energy Adaptation

5.4 Is fossil fuel discouraged in the proposed budget?

- In one hand the proposed budget has provided fresh tariff exemption from the solar power and related equipment
- In the other hand, fossil fuel continues to enjoy extended fiscal benefits
- LNG and coal import has been enjoying discriminatory fiscal benefits which continues to be extended in the proposed budget
- In addition to that exploration of **domestic coal has been over emphasised** in the budget speech with continuous import support
- **LNG is also prioritised** as the budget speech mentions establishment of FSRUs

➤ *The proposed budget continues to encourage fossil fuel based power generation in Bangladesh*

5. Effectiveness of the Proposed Budget for Renewable Energy Adaptation

5.5 Can electric vehicle replace fossil cars through the fiscal treatments in budget FY27 ?

- Given the volatility in the global oil price due to geo- political conflicts, the budget has prioritised electric vehicle
- From income tax benefits to elimination of the import, supplementary and regulatory duties has made the use of electric vehicle competitive
- On the other side, using oil- based ICE cars has been becoming expensive
- *So it can be assumed that the fiscal benefits given to EVs will help reducing the usage of fossil cars*

5.6 What is there for solar irrigation in the proposed budget?

- The proposed budget doesn't emphasis enough on the expansion of solar irrigation for the marginal farmers
- Only few indirect support has been provided
- **There is nothing much for solar irrigation in the proposed national budget FY26-27**

6. Conclusion and Recommendation

6. Recommendation

- We deeply appreciate the government for taking necessary fiscal and budgetary measures to promote renewable energy
 - The discriminatory fiscal treatment still persists, which is why tariff rationalization for all renewable energy sources, storage components and grid modernisation equipment is needed
 - Also government must move towards Green Fiscal Policy as a tool to achieve energy transition
- **Increase allocation in RFY27 to those project to be completed by FY27**
- According to the analysis, there are several project found, which could be completed within the deadline of FY27.
 - We recommend that, those projects completion rate over 90% by this year, should get another extended allocation in RFY27 to complete them within this deadline.
- **Increase the ratio of RE Project approval**
- **Around 11 RE based project didn't approve** this year ADP. On the other hand, government wanted to install 10GW capacity of solar. This can't be achieved with the only support of private sector. The government need to initiate utility scale solar projects.
 - It requires 1662MW installation per annum between January 2026 to December 2030 to achieve this 10GW target.
 - The government should approve more renewable project by this revised ADP this year to increase the annual renewable share.

6. Recommendation

➤ **Initiate Transmission and Distribution End Modernisation Related Projects**

- Bangladesh is witnessing steady growth in renewable energy deployment, driven by both public and private sector investments
- To integrate a higher share of renewable energy into the national grid, transmission and distribution infrastructure must be modernized and network capacity expanded.
- Strengthening grid flexibility and reliability through T&D upgrades is essential to ensure seamless renewable energy integration and maintain system stability.
- Therefore, the number of transmission and distribution modernization projects under the ADP should be increased to support the country's clean energy transition and prevent future grid constraints.

➤ **Further reduce Import, Custom, Supplementary and Regulatory Duty on all Grid Infrastructure Components to zero**

- Transformers, conductors, towers and meters face TTIs between 61% and 93%
- Reducing duties to zero would lower the TTI of these components by roughly 30 percentage points and reduce the cost of grid expansion needed for renewable integration

➤ **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%**

6. Recommendation

- **NBR should shift from restrictive entity-based criteria to an open, component-based zero-tariff model to everyday end-users as well**
 - The fiscal benefits proposed in the budget for solar based power generation comes with a long list of requirements
 - The initiative to maintain the global ISO standards while ensuring the regulations is much appreciated
 - However, where needed, the criteria can be made flexible to benefit not only the importing solar power generators but also end users
- **Targeted incentives structure for solar based irrigation must be introduced**
 - As the user of solar based irrigation is the marginal farmers, a tailored and targeted subsidy package must be designed
 - Cash incentives targeting farmers of the selected geographical locations must be provided
- **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

Thank You!