BAMU
Budget Analysis and Monitoring Unit
Bangladesh Parliament Secretariat

Global Gateway
Funded by the European Union

Budget Helpdesk 2026

National Budget 2026–2027: Summary

Power and Energy

সহযোগিতায়
CENTRE FOR POLICY DIALOGUE
CPD Parliamentary Studies

1. Background

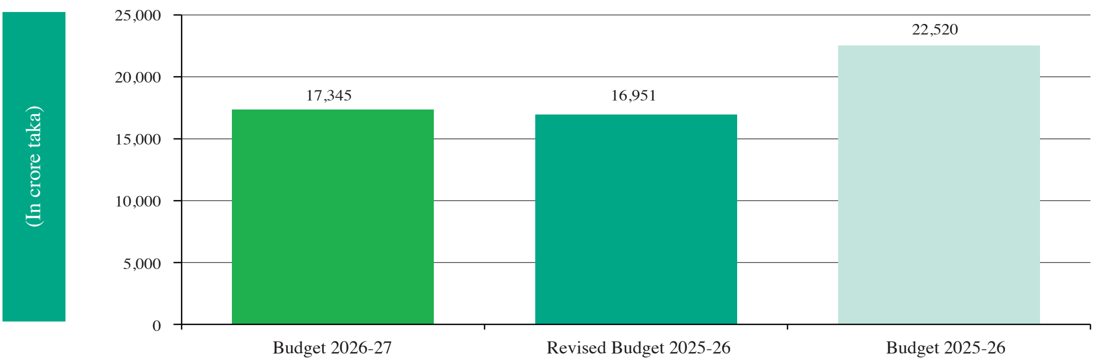
The power and energy sector is the main driving force for industrialisation, employment, and economic growth of the country. The current government has started taking effective steps in this sector since assuming power. At present, the country's total installed power generation capacity is about 28,919 MW, of which 12,472 MW is generated from gas-fired power plants, 7,769 MW from coal-fired plants, and only 1,069 MW from renewable sources [1]. Over-reliance on fossil fuels, the burden of excess capacity charges on unproductive power plants, and the slow pace of conversion to renewable energy are long-standing structural problems of this sector. The current government has taken responsibility for this sector by bearing the burden of paying about 40,000 crore Taka of outstanding bills in the power sector and about 1.5 lakh crore Taka of capacity charges so far. The election manifesto of the current government has a detailed action plan for transforming the power and energy sector. The power generation plan will be implemented by ensuring the lowest-cost generation and an optimal energy mix, and there is also a commitment to reduce unnecessary costs and ensure transparency by reviewing unreasonable capacity-charge contracts.

Several specific steps have already been taken since the government took office. The Prime Minister sent a message about Bangladesh's progress towards sustainable energy by launching a one-megawatt rooftop solar power system at the National Parliament Building. A total of 35 megawatts of electricity has been added to the national grid so far through the National Rooftop Solar Program and net metering, and the government has set a target of generating 10,000 megawatts of electricity from renewable energy by 2030. The proposed budget for the FY2026-27 has also given special priority to the power and energy sectors.

2. Proposed budget allocation for the power and energy sector in FY2026–27

In the current FY2025–26, the allocation for the power and energy sector was proposed at Tk 22,520 crore, which was 2.9 percent of the total budget. This allocation was later reduced in the revised budget to Tk 16,951 crore, which was 2.2 per cent of the revised total budget. In the upcoming FY2026–27 budget, the total proposed allocation for the power and energy sector stands at Tk 17,345 crore, which is 1.8 per cent of the total budget (Figure 1). Although the allocation for the power and energy sector has increased in nominal terms for FY2026–27 compared to the revised budget of the current fiscal year, it has declined as a proportion of the total budget.

Figure 1: Budget Allocation for the Power and Energy Sector (in Amount and Percentage of Taka)

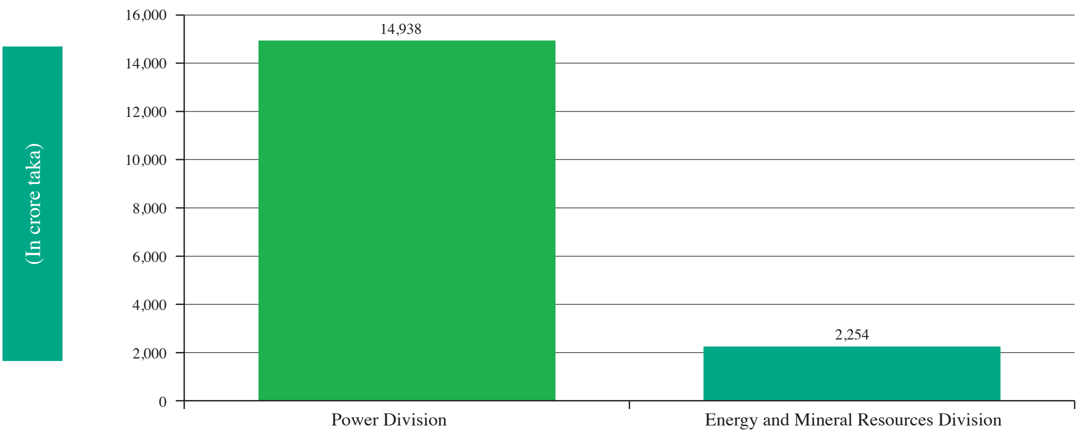


Source: Budget Summary, 2026–27, Statement 2.

3. Proposed Allocation for the Power and Energy Sector in the Annual Development Programme

For FY2026–27, a total of Tk 17,192 crore has been proposed under the Annual Development Programme for the Power, Energy and Mineral Resources Division, of which Tk 14,938 crore has been proposed for the Power Division and Tk 2,254 crore for the Energy and Mineral Resources Division.

Figure 2: Ministry/Division-wise Proposed Allocation in the Annual Development Programme (ADP)



Source: Budget Summary, 2026–27, Statement 10.

In the power and energy sector, a total of Tk 17,430 crore has been proposed for 8 projects under the generation sub-sector. For transmission, the allocation stands at Tk 5,826 crore for 9 projects. Meanwhile, the distribution sub-sector has the highest number of projects at 17, with an allocation of Tk 9,319 crore. Although the distribution sub-sector has the largest number of projects, the generation sub-sector receives the highest total allocation.

Table 1: Proposed Allocation by Project Type in the Annual Development Programme (ADP) of the FY2026-27 Budget

	Allocation (in crore taka)	Number of Projects
Production	17,430	8
Transmission	5,826	9
Distribution	9,319	17

Source: Annual Development Programme, 2026–27.

4. Conclusion

In the power and energy sector, ensuring the effective utilisation of existing budget allocations and the institutional implementation of structural reforms is more important than simply increasing budgetary allocations. To achieve the target of generating 20 per cent of total electricity from renewable sources by 2030, approximately 760 MW of renewable energy capacity must be added each year, which is significantly higher than the current rate of progress. It is essential to sustain the momentum created through recent reform initiatives and government commitments, particularly in the expansion of rooftop solar systems and the modernisation of the national grid. However, the sector's long-term sustainability will remain difficult to achieve unless the burden of capacity payments is reduced and dependence on imported energy is gradually lowered. Achieving these objectives will also require stronger institutional accountability and good governance. Without effective implementation and oversight, increased budget allocations may not translate into the desired outcomes. Overall, building an affordable, reliable, and environmentally sustainable power and energy system is a long-term prerequisite for sustainable industrialisation and economic growth.

References: [1] https://misc.bpdb.gov.bd/power-generation-unit

[2] Bangladesh Nationalist Party (BNP) Manifesto.

[3] https://www.jugantor.com/national/1090598