



Draft Renewable Energy Policy 2004

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REP in National Energy Policy 1996

Renewable energy (RE) sources have been considered a vital mode for off-grid electrification to supplement GOB's vision to ensure universal access to electricity by 2020.

Government Policy:

Renewable energy is covered in the National Energy Policy (NEP) 1996.

The major objectives of the NEP are:

- ★ To provide energy for sustainable economic growth ;
- ★ To meet the energy needs of different zones of the country and of different socio-economic groups;
- ★ To ensure optimum development of all the indigenous energy sources (e.g. commercial fuels, biomass fuels, and other renewable energy sources);
- ★ To ensure environmentally sound sustainable energy development programs;
- ★ To encourage public and private sector participation in the development and management of power sector. Government declared “ **Private Sector Power Generation Policy of Bangladesh**” in 1996 in this regard.

Objectives of Renewable Energy Policy



The major objectives of the REP are:

- ★ Promotion of renewable energy attracting private capital investment
- ★ Acceleration of program using renewable energy resources
- ★ Reduction of pressure on commercial fuels
- ★ Generation of power utilizing renewable energy to share at least 5% of total demand by 2010 and 10% by 2020
- ★ Ensure optimum development of all renewable energy sources
- ★ Ensure environmentally sound and sustainable energy development
- ★ Encourage public-private participation in developing RE
- ★ Promotion of competition among the entrepreneurs



Renewable Energy Development Agency under REP



Renewable Energy Development Agency (REDA) to be established under the Power Division, Ministry of Power, Energy and Mineral Resources as a public limited company for the development and diffusion (dissemination / extension) of different type of RE technologies (RETs);

★ Until REDA is formed, the **Power Cell** under the Power Division of the Ministry of Power, Energy and Mineral Resources will facilitate the development of RE;



Major Responsibilities of REDA :

- ★ To represent government in international institutions related to development of RE;
- ★ To remove policy, institutional, financing, market, information, technical and human resource barriers existing in the RE sector of the country;
- ★ To Identify and assess the potential of establishment of RE projects;
- ★ To establish a RE Trust Fund to finance renewable energy projects and Research & Development (R & D) activities;
- ★ To collect concessionary funds (like GEF, CDM, PCF) from bilateral or multilateral lenders for RE projects
- ★ To Formulate financing and delivery mechanism to increase the affordability of RE Systems for the rural poor;



REDA and Financing Arrangements

Major Responsibilities of REDA

- ★ To Work closely with local government bodies to include provision of energy in different infrastructure projects;
- ★ To encourage CBOs, NGOs, rural energy entrepreneurs and private sector organizations in development of RE and facilitate the institutional requirements;
- ★ To arrange required training programs for capacity building and technology transfer needed to support commercialization of RE technologies (RETs).

Financing Arrangements

- ★ GOB allocation of funds for capital investment
- ★ Establishment of a revolving RE Trust Fund with grants from Global Environmental Facility (GEF) and other climate change abatement funds to support RE in Bangladesh;
- ★ Secure fund from international donors by implementing CDM
- ★ Issuance of corporate bonds
- ★ Foreign banks to be allowed to underwrite issuance of shares and bonds by the private companies



Environmental Compliance, Tariff and Price Regulation

Environmental Aspects of RE Projects

- ★ The project proponent must follow “Bangladesh Environmental Conservation Act’ 95” and “Environmental Conservation Rules’ 97”.
- ★ Environmental Impact Assessment (EIA) needs to be done for any RE project and clearance from the Department of Environment would also be needed.

Power Tariff and Price Regulation

- ★ GOB will not regulate the price of electricity generated from RE source which shall be negotiated between the sponsor and the consumers;
- ★ In case of grid connected RE projects the wheeling charges and other terms and conditions will be mutually agreed upon between the sponsor and the owner of the transmission/distribution facilities. Utilities (BPDB, DESA, DESCO, REB) will buy electricity through mutually agreed “Power Purchase Agreement (PPA)”.

Fiscal Incentives under REP

Fiscal Incentives

- ★ Renewable energy project sponsors whether semi-government, private companies (foreign or local), NGOs shall be exempt for corporate income tax for a period of 15 years;
- ★ 100% depreciation in the first year for solar photovoltaic, solar thermal projects and 100% depreciation in five (5) years for wind, biomass, geothermal, tidal and small hydro projects;
- ★ The sponsors will be allowed to import plant and equipment without payment of customs duties, VAT (Value Added Tax) and any other surcharges as well as import permit fee provided that the equipment is not manufactured or produced locally;
- ★ Repatriation of equity along with dividends will be allowed freely;
- ★ Exemption from income tax in Bangladesh for foreign lenders to such companies;
- ★ The foreign investors will be free to enter into joint ventures;
- ★ The companies will be exempted from the requirements obtaining local insurance only.
- ★ Exemption from stamp duty
- ★ Permission to raise both local and foreign finance
- ★ Encouraging local manufacturers

Other Incentives

Other Incentives for foreign Investors

- ★ Tax exemption on royalties, technical know how and technical assistance fees and facilitates for their repatriation
- ★ Tax exemption on the interest of foreign loans
- ★ Tax exemption on capital gains from transfer of shares
- ★ Avoidance of double taxation
- ★ Income tax exemption of foreign expatriate for three years
- ★ Remittance up to 50% of salary, repatriation of their savings and retirement benefits
- ★ No restriction on the issuance of work permit
- ★ Provide facilities for repatriation of capital, profits and dividends
- ★ Currency convertibility
- ★ Re-investment of remittable dividends as new investment
- ★ Foreign companies will be treated equally with the local companies



Thank You