

# Unsolicited RE Projects Face A Big Blow

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After assuming office, the interim government halted projects initiated by the previous administration under the Special Power Act 2010, following a mass uprising. A five-member committee, led by a retired Justice, was formed to assess these projects and determine if they served the country's interests. Another committee is reviewing the power sector's operations to propose reforms for efficiency and transparency. While ongoing projects will continue, negotiations for new deals, including 31 renewable energy projects, have been suspended pending review, despite appeals from industry groups.

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Immediately after assuming office, the interim government came down heavily on the projects taken up without any competition by the immediate past government that had fallen amid mass uprising. The previous government of Sheikh Hasina had taken the projects under the “Quick Enhancement of Electricity and Energy Supply (Special Provisions) Act 2010”. A five-member committee headed by a retired Justice, Moinul Islam Chowdhury, has been formed to review all the projects awarded under the special act. The committee is expected to submit its report to the government with recommendations whether a due process was followed in awarding these contracts. Another committee has been tasked to review the existing operations of the power sector and suggest required reforms for increasing the capability, dynamism, and efficiency, and ensuring transparency. Energy specialist and former member of the Sustainable and Renewable Energy Development Authority (SREDA) Siddique Zobair, procurement specialist Faruk Hossain, financial modeling specialist Toaha Mohammad, and a legal expert are on the committee. Both the committees have started their work. Before forming the committees, Power, Energy and Mineral Resources Adviser Fouzul Kabir Khan announced the suspension of all activities under the Special Act 2010. He, however, instructed that the projects have already been implemented under contracts awarded within the framework of the Special Act would continue. Deals already signed under the Act will be examined by the specialists. However, the ongoing negotiations on projects under the cover of the controversial law will remain suspended. Among these, 31 are renewable energy projects proposed by the private sector with a total capacity of 2,678MW. The immediate past government had been working on 108 RE projects of 12,000MW capacity – the thirteen were at their final stages of negotiation. Even Letters of Intent (LOIs) were issued to the project proponents to conclude deals after completing the negotiation. The Bangladesh Solar and Renewable Energy Association (BSREA) representatives recently met with the



Sirajganj 68 MW Solar Power Plant of Bangladesh China Renewable Energy Company (pvt.) Limited

advisor, requesting him to allow the projects. But they received no positive signal.

According to the Power Division, the future of foreign direct investment (FDI) in renewable energy projects involving nearly \$5.0 billion is facing uncertainty with recent talks of interim governments’ probable decision to cancel several letters of intent.

“The interim government has decided to cancel letters of intent (LOIs) of several renewable power projects,” said Power Division Senior Secretary Habibur Rahman. Investors said the interim government is considering the cancellation of 31 LOIs issued for renewable energy projects, which will adversely affect foreign investments in the country.

Many investors have already made partial investments based on the LOIs. If implemented, these projects will generate 2,678 MW of electricity, which will help reduce the electricity shortage in the coming years. BSREA data shows that the country’s renewable power generation capacity is 1,379 MW, including 708 MW from utility-scale on-grid RE projects. Solar power plants of 300 MW are at the advanced stages of implementation. These will start operation in 12-18 months.

BSREA Senior Vice-President Mostafa Al Mahmud said more than 50 foreign investors from China, France, Malaysia,

Singapore, South Korea, Germany, Japan, the United States, and the United Arab Emirates are engaged in renewable energy projects. “Bangladesh is going to get at least \$5.0 billion foreign direct investments in the private sector as soon as possible for the development and implementation of renewable energy projects by the investors who have received the 31 LOIs,” he said.

The trade body leaders mentioned that entrepreneurs have invested \$200 million in these projects for different purposes, including land purchase and other steps. Mostafa expressed his concern that as the Power Division canceled these projects, the entrepreneurs would face uncertainty over foreign and domestic investments.

As per the terms and conditions of the LOIs received from the Power Division, he suggested the project promoters continue the project implementation process, including land acquisition, logistics expansion, and paid-up capital arrangements.

The project tariffs were approved through negotiations based on competitive market prices and a “no electricity, no payment” term. The procedure to issue LOIs for the same projects can take at least a year or more if it is started all over again. As a result, investors will feel discouraged and frustrated, said the

BSREA senior vice president.

Mostafa also said adding 2,678 MW of electricity from renewable sources to the national grid can accelerate the process of phasing out fossil fuels, which is important for combating climate change effects and reducing the country's dependence on non-renewable sources.

These renewable power plants will also enable the government to save \$820 million (Tk9,700 crore) per year, according to BSREA.

BSREA Vice-President Zahidul Alam sought the chief adviser's attention to continue the activities of these projects considering the country's economic development.

"These projects do not require any capacity charge. Implementation of the 'no electricity, no payment' method will save a huge amount of government money spent on the power sector," he said.

BSREA also urged the government to continue the development and implementation of utility-scale renewable power projects with private sector investment on a "build-own-operate (BOO)" basis.

Zakir Hossain Khan, managing director of the research organization Change Initiative, said the government could evaluate the projects, rather than canceling them and persuade foreign investors to understand the current situation. Mr. Khan believes that Bangladesh has already fallen way behind in RE development. Canceling the projects and taking fresh initiatives will cause further delays. However, contracts awarded under the Special Act 2010 cannot be recommended.

That could be a good signal to foreign investors, relieving them of their fear that they came here to invest, but their contracts could be canceled with the change of government. It is not right to create such an uncertainty, he said.

Shafiqul Alam, lead energy analyst for Bangladesh at the Institute for Energy Economics and Financial Analysis

(IEEFA) said the power sector should increase focus on expanding renewable energy.

"We need a vision to increase the use of renewable energy, monitor the sector's progress, and take appropriate measures to remove barriers. If public lands can be leased out to some renewable projects and the cost of transmission is borne by the government, the cost can be reduced through competitive arrangements. This will attract investors and derisk investment in renewable energy projects," he said. By providing land and shouldering the cost of transmission, Bangladesh can lower the tariffs of solar energy projects to a single digit in taka terms. With increasing competition, the tariffs can be further reduced in the foreseeable future, added Alam. However, he pointed out that while reassessing projects, the government should not give the signal that the renewable energy investment environment is risky in the country. Instead, it should address or rectify anomalies, if found any, to spearhead renewable energy in the country.

Alam further added, "with import-dependence of fossil fuels continue to weaken the financial performance of power and energy sectors and Bangladesh struggling to ensure uninterrupted energy supplies, the country must take the advantage of renewable energy. Inability to find ways to do so will only increase the vulnerability of Bangladesh's energy and power sectors."

Experts say Bangladesh has a huge potential for producing renewable energy as it receives good amount of solar irradiance throughout the year. The government earlier set a target of producing 10% of the country's electricity from renewable sources by 2021, according to the Renewable Energy Policy and the Power System Master Plan (PSMP). While the country significantly fell short of the target, it now aims to raise the share of electricity produced from renewable sources to 30% by 2030. If the said 31 projects are canceled, the country may again miss the target, said experts.

They observe that while Bangladesh shows its high renewable energy ambition on international forums, the progress on the ground remains slow. During COP28, like most countries, Bangladesh pledged to triple renewable energy capacity by 2030. Further, the IEPMP 2023 states that the country will generate 40% of its power from clean energy in 2041. Solar, wind, cross-border hydro, and nuclear electricity are included in it. However, given the track record in the renewable energy sector, the country may not be able to attain these goals if the mentioned 31 projects are cancelled.

Sources close to the government stated that the government under no circumstances would accept unsolicited proposal for new projects and sign contracts. The government's strategy is now to encourage competition and avoid irregularities that have been widespread under the Special Act 2010 during the past regime. Consequently, the current government is scrutinizing LOIs issued during the past regime and they may well be cancelled.

On the other side, the experience with utility-scale renewable energy projects has never been satisfactory in the country. Delays of several years even after signing contracts are very usual in the country. Now, the question is that if the government cancels these 31 LOIs, what would be the actual delay in project implementation. Another question is will the government lease out lands to some projects and then go for tender? In fact, lands are provided, the investors will certainly have less risks.

It is also mentionable that the present contribution of oil-fired power plants is 25%. It is used during peak hours and often during off-peak hours. The power system could reduce the expensive and polluting fuel use if the renewable energy projects could be implemented fast. However, he agreed that removing irregularities should be given priority while awarding contracts which reportedly was missing under the Special Act.

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