

SREP INVESTMENT PLAN FOR BANGLADESH

COMMENTS FROM SWITZERLAND



SREP Investment Plan for Bangladesh
Questions and Comments from Switzerland
5 November 2015

Questions (Q) and comments (C)

1. Financing plan

- i) (Q) For grid connected renewables, what is the difference between the component to be implemented and co-financed by the WB and the one by IFC?
- ii) (C/Q) It is mentioned that the guarantee instrument (PRG or similar) representing half of the WB's co-financing (i.e. \$100 million) would be provided only if required by private sector bidders:
 - (a) Under what circumstances will private bidders require such guarantees?
 - (b) What is the WB's assessment at this stage, as to the need of these guarantees?
 - (c) Could the use of these guarantees, if not required by the most interested bidders be used to enlarge the project, i.e. to extend its scale?

2. Results Framework

The data in the results framework is incomplete and raises certain questions:

- i) (Q) It is difficult to conceive that in 2014 99% of off-grid households had access to electricity in a context where 34% of the rural population had no access. Please explain this figure and the target of 100% by 2020.
- ii) (Q) Is there really no multi-dimensional energy poverty index (MEPI) for Bangladesh? The footnote seems to be taken from the IP of Vanuatu.
- iii) (Q) What is the projected increase in annual public and private investment in renewable energy? The figures are not stated but it must be assumed that they exist for Bangladesh.
- iv) (Q) Over and above the 50'000 people expected to be connected through off-grid projects, what is the expected number of people, businesses and community services who will benefit from "improved" access to energy through the grid-connected projects?
- v) (Q) What is the expected reduction or avoidance of CO₂ emissions related to the expected SREP outcomes?
- vi) (C) In general, the results should be detailed by project or IP component. This will facilitate the future project approvals, which can then be compared to the IP.

3. RE potential

- i) (C) The summary of RE potential (table 3.1) lists a total of (only) 3666 MW with solar parks, solar rooftop, solar irrigation and wind power being the only RE sources with large potentials. This total potential seems small in relation to the present installed capacity and peak demand (7000 MW). Additional potentials will need to be identified rapidly if RE is supposed to also address the growth of electricity demand in the long term.
- ii) (Q) Why is the hydropower potential so small? This is surprising in a land with many rivers. We would especially expect significant potential for run-of-the-river HPPs. To what extent has this already been assessed and what were the conclusions?

- iii) (C/Q) We also noted that in the 500 MW solar program, the bulk of the rooftop installations are destined to public buildings (160 MW) and little to residential and commercial (10 MW) or industrial buildings (20 MW).
 - (a) (Q) Why is the proportion allocated to residential/commercial and industrial buildings so small?
 - (b) (Q) What proportions for rooftop solar in the proposed SREP program are destined to public buildings vs residential, commercial or industrial buildings?
 - (c) (C) The question arises as to what extent the residential/commercial and industrial rooftop solar could be an important and still untapped potential, considerably underestimated in the IP.
 - (d) (C/Q) Also related to rooftop solar, the concept of net-metering has been successfully applied in various countries and was also proposed in SREP investment plans. Has net-metering been considered for the IP of Bangladesh? What were the conclusions?
- iv) (C/Q) The identified potential for waste-to-energy (1 MW) from municipal waste is also surprisingly low for a country with large cities. WtE has the double advantage to address the municipal waste problem along with the energy needs. To what extent has the assessment of WtE potential been included in the proposed WtE component of the IP?
- 4. Electricity tariffs and subsidies: It is noted that Bangladesh uses cross-subsidies in its electricity tariffs but that these are “not sufficient to cover the lost revenue for selling the majority of electricity at below-cost recovery”.
 - i) (Q) Besides the cross-subsidies, does the GoB actually subsidize the low electricity tariffs? If yes, what is the magnitude of such annual subsidies?
 - ii) (Q) Does the GoB subsidize fossil fuels? If yes, how much does the fossil fuel subsidy for electricity generation represent in annual subsidies?
 - iii) (C) Fossil fuel subsidies and subsidized electricity tariffs are likely to be the reason why rooftop solar PV installations on residential and commercial buildings are not producing electricity, despite their installation being required by the GoB. A pecuniary incentive should be created for solar rooftop installations on residential, commercial and industrial buildings to produce electricity.
- 5. Barriers/Enabling environment

(C/Q) The absence of a comprehensive legal and regulatory framework for RE, notably a lack of feed-in tariffs for grid-connected RE, seems to be a major barrier for all of the technologies proposed for SREP funding. The GoB needs to address this issue in view of improving the enabling environment for RE. Since no provision for SREP support is foreseen in the investment plan, it is assumed that the GoB either has the capacities to address these issues or receives support from other sources therefore.