

Bangladesh increased renewable energy penetration

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Clean EDGE Asia Fellow Shafiqul Alam provides an overview of the renewable energy potential in Bangladesh, outlines the economic and energy security benefits of renewable energy, and identifies renewable energy measures that could be implemented. He also identifies financing mechanisms to foster renewable energy development as well as the necessary stepping stones to create an enabling ecosystem for scaling up renewable energy.

On the other hand, IDCOL lends to rooftop solar projects at a 6% interest rate. The utility-scale renewable energy projects might avail themselves of these loans at a commercial rate.[18] However, it should be noted that, in addition to the existing modes of financing, large volumes of financing over a longer period of time are necessary for the transformation of the renewable energy sector in Bangladesh. While the bond market could have been an excellent channel to meet the needs of the renewable energy sector, the market is not mature and has thus far remained thin.

Quality of renewable energy technologies. There are widespread concerns about the quality of renewable energy-related products (e.g., solar panels and inverters).[22] Due to an absence of sufficient testing labs, ensuring the quality of imported panels becomes difficult, causing inconsistent expectations. The quality issue with solar panels results in a lack of confidence among private investors.

Land constraints. One of the major challenges facing renewable energy, despite its potential, is the scarcity of land in an agriculture-dependent and densely populated country. In particular, utility-scale projects require large tracts of land that are often difficult to find. There have been examples where investors struggled to find suitable land for a project.[25]

Moreover, planned wind energy projects have a combined capacity of more than 500 MW.[30] Agreements have also been signed for waste-to-energy projects of approximately 50 MW capacity.[31] Therefore, on the basis of available information, a renewable energy capacity of 12,550 MW could be exploited over the next few years without hindering agricultural production (see Table 2). However, only proper land resource mapping can delineate the exact renewable energy opportunities in Bangladesh.

Two major funding sources to promote renewable energy in Bangladesh are the central bank's green refinancing scheme and IDCOL's loans. However, to ramp up the capacity of renewable energy, especially in line with the government's renewed focus, Bangladesh needs increasing volumes of financing from additional sources. This section explores different financing options for renewable energy.

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