



Green Banking for Sustainable Energy



Recently, The Daily Star organised an opinion sharing session on 'Green Banking for sustainable energy'. Here we published a summary of the discussions.

- Editor

Shahnur Wahid from The Daily Star welcomed everyone to the Roundtable Discussion.

Shitangshu Kumar Sur Chowdhury, Deputy Governor of Bangladesh Bank, was the moderator at the event held on October 1 at The Daily Star conference room.

Shitangshu Kumar Sur Chowdhury at the outset said our aim is to achieve a happy and prosperous Bangladesh, which is free from hunger, poverty, illiteracy and corruption.

He said, sustainable energy, green energy and renewable energy are indeed synonymous – the energy that can be replenished from inexhaustible sources like solar, wind, biomass and water. In contrast, the fossil fuel such as oil, gas and coal are not sustainable energy and will eventually run out of supply.

Moreover, he said, the use of renewable energy will be helpful in limiting the greenhouse gas emission, and the transformation in a large scale is essential for ensuring environmental sustainability. "It ensures the advancement of green economy," he said.

"Consequently, the greenhouse gas emission and vulnerability need to be reduced on one hand and sustainable use of natural resources must be ensured on the other." He added that the doorway of green economy will be opened up through ensuring green financing.

"To promote the sustainable energy in Bangladesh the government has prepared a renewable energy policy and taken up various action plans with the target of generating 10 percent of the total power production through the renewable energy by the year 2020. The government has set up a dedicated regulatory body like SREDA, which is advancing tremendously. In Bangladesh, the central bank is playing a leadership role in pursuing the sustainability priorities. We have now 50 green products for refinancing... we have invested in green bonds and we have created a special refinancing fund for green financing."

He said, Bangladesh is the sixth environmentally adversely affected country in the world.

Later, during discussion the moderator took the privilege to clear an issue on higher per unit price of solar power in Bangladesh as raised by the Daily Star deputy editor Sharier Khan.

He said, new technology is normally financed by commercial banks and the prices are set considering the risk factors and profitability. Lots of risk components are in the area, which is hit by lack of capacity and human resources.

There are information barriers and that there is no tax regime set for the renewable energy. Cost of financing is an issue for a project. Initially, the per kilowatt solar power price was 18 US cents and it came down to 12.5 cents after one year.

He said, the price has come down after capacity building, which helped minimize the risk factors. Output depends on prevailing condition, he said referring to lower sunshine time and minimal irradiation. With the diminishing of risk the price will come down, he said adding that refinancing incentives are being given and it will rise.

Siddique Zobair, Joint Secretary and Member, SREDA, said SREDA was created in May, 2014 with a definite objective to promote renewable energy and energy efficiency in the country.

In 2021, the country's power requirement will be 20,000 megawatts, he said adding, so, considering the power requirement and to achieve that we have to harness primary energy resources.

"We have to diversify the energy generation." Apart from natural gas, the country used to depend on import 90 percent of the fuel requirement, which has now come down to 63 percent. There is always a risk in supply if import of primary energy resources continues, he said.

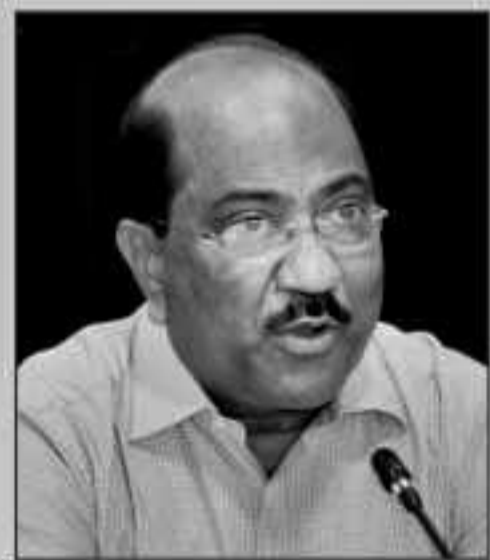
Zobair said attaining energy efficiency is important, which actually supplement the energy and it will be tremendously beneficial. 200 MW is now generated off-grid from renewable energy resources, such as solar and biogas. It is necessary to set a goal of generating 2,000 MW power from renewable energy sources. But there are barriers, such as shortage of fund and skilled human resources, towards achieving the goal. However, finance might not be a problem; the problem is how to channelize the fund to the energy projects.

Al-Mudabbir Bin-Anam, Programme Coordinator of GIZ Sustainable Energy for Development (SED) programme, said Bangladesh is a rapidly growing economy. The economic advancement is not only reflected in government plans and ambitions, but is well acknowledged by the global community.

Energy being the lifeline of economy managing energy security in a sustainable way remains fundamental to ensure sustained and steady growth of economy, he said.

He said that GIZ, the German Federal Enterprise for International Cooperation, provides technical support for promotion of renewable energy and energy efficiency in Bangladesh

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through developing customized technological solutions. However, successful market uptake of the Renewable Energy and Energy Efficiency interventions is also dependent on leveraging appropriate financing scheme for the same. Green Banking is a unique approach of Bangladesh Bank to support green growth for the economy. However, taking account of dynamic clean energy development plan of Bangladesh, it's time to revisit existing Green Banking framework and make it more tailored to the need of the sector.

Dr. Toufic Ahmad Choudhury, Director General of Bangladesh Institute of Bank Management (BIBM), said without a sustained finance sustainable development cannot be achieved. The organization promotes green banking and sustainable development in the country. BIBM provides teaching, training and research as part of the programme.

He said, the BIBM at the instruction of the Bangladesh Bank has designed need-based programmes for green banking and taken a number of research initiatives on green banking.

The BIBM conducts training workshops for bankers and proposes framework on development of green banking, he said. And added, BIBM is working to add bio-diversity issue in green banking.

Dr. Shah Md. Ahsan Habib, Professor & Director (Training) BIBM, made a presentation on Green Banking for Energy Sustainable Economy, a joint initiative of SREDA, GIZ and BIBM, at the roundtable.

He said, the project aims to promote access to finance, bring intervention through strengthening green banking framework and capacity enhancement of banks and financial institutions.

The broad objectives of the project—green banking for energy and sustainable economy – are to strengthen the framework of green financing; to engage the stakeholders for promoting renewable energy and energy efficiency; to create awareness and develop capacity of financial institutions; to address the issue of access to finance for the selected renewable energy and energy efficiency schemes under the SED

RECOMMENDATIONS

- Sustainable use of natural resources must be ensured.
- Set a goal of generating 2,000 MW power from renewable energy sources.
- Generate data of appliances and power generation systems to set some guidelines.
- Monitoring of operation and maintenance of the solar energy system.
- A national policy of the country to address the issues of energy sustainability.
- Nuclear power production can help ensure sustainable energy.
- Private and public sector investments for ensuring sustainable energy.
- Citizens should be involved in production of clean energy.
- A feasibility study on the green energy prospect in Bangladesh.
- Awareness campaign on the benefit of green energy for the sustainable development of the country.

programme; to facilitate a learning process from international and regional best practices and to establish a network with relevant stakeholders on green financing at national level.

Habib said, energy consumption in Bangladesh is significantly lower compared to other countries in Asia. As per the guidelines of the Bangladesh Bank, commercial banks have target of five percent of their portfolio for green financing which, he said, is not generally achieved. He observed that in Bangladesh small solar panels are functioning well compared to the big ones.

Sharier Khan, Deputy Editor of The Daily Star, said per kilowatt price of solar power is falling globally and now it is cheaper than coal. But it is not the same in Bangladesh, he said.

Prof. Dr. Zahurul Haq of the Bangladesh University of Engineering and Technology, said our objective is to promote green banking. There is a lack of adequate knowledge on the issue. In Bangladesh, he said, people think that only solar energy and biogas are the green energy; but these are not the only sources of green energy.

Lot of work is going on at policy level; but there is no clear idea about how to deliver incentives, and there lies the problem, he said adding there is also no clear initiative on marketing. "We should try our best to generate data of appliances and power generation systems so that we can set some guidelines..." he said.

Ataur Rahman Sarkar, Treasurer of Bangladesh Solar and Renewable Energy Association (BSREA), replied to the question on unit price of solar power as asked by the Daily Star Deputy Editor said solar power project cost is high in Bangladesh. Installation cost of per kilowatt capacity panel varies from Tk.80,000 to Tk.110,000 without battery backup..

Prof. Dr. Saiful Huque of Dhaka University said a one kilowatt panel will generate 4.5 to 5 kilowatt of electricity per hour per day. We cannot compare it with the Middle East, where condition is favourable, he said adding that the per unit price is coming down in Bangladesh. One year ago, it was Tk. 16; now it is Tk. 12; it will come down to Tk.10 and will equal to conventional power.

He said, there is unlimited scope in this country, where population density is high and potential users are many.

Prof. Huque said, the sustainable energy can be shared with the neighbouring countries as there is an integrated grid. Bangladesh can invest in Nepal and Bhutan, and share the energy. There can be a cross border trade of energy, and this is a new scope for local banks. There are scopes for innovation and mitigation of greenhouse gas emission. Monitoring of operation and maintenance of the solar energy system is necessary. Stress should be made on transfer of technology and creation of skilled manpower, he said.

Sanwar Hossain, President, Bangladesh POUISH said, there should be a national policy of the country to address the issues of energy sustainability. Policy and strategy are important and they should be adopted for short, medium and long terms.

"I think the government is moving towards the right direction," he said adding it is meeting power need through use of renewable energy and other sources. Nuclear power production

can help ensure sustainable energy as followed by industrially advanced nations.

Arun Karmakar, Special Correspondent of The Prothom Alo, said promotion of green banking is more important in Bangladesh. Gas production has dropped leading to higher import of liquid fuel. The country is also importing coal. Import dependency will rise by 90 percent by 2020-21.

He said, energy is very important in day-to-day life, and if the dependency on import of fuel reaches 90 percent then it is a matter of grave concern. There are challenges in tapping domestic resources but we must reduce our dependency on imported fuel sources and try to ensure our energy security from domestic sources to the extent possible. There are instances that clients have been refused access to finance. Banks are not coming up for financing that way, he observed.

Eckhard Heine, Head of Development Cooperation of the Embassy of Federal Republic of Germany—said he has two questions – one is consumer protection and other is investment. Firstly, it is because there is a sentiment that the customers who receive the technology might not be satisfied. It has to be made sure that the clients get the service properly. There might be a question about what measures the development partners have taken with regards to the consumer protection, he said.

Secondly, it is imperative that there should be private and public sector investments ensuring sustainable energy. He said, Germany might continue further support to Bangladesh in the form and technical and financial cooperation in the area of renewable energy and energy efficiency.

Prof. Dr. Sarwar Uddin Ahmed of Independent University, Bangladesh said, the achievement made in the past 5/6 years in terms of green growth and green financing, making banks compliant and promotion of green financing is tremendous. "We should not also be complacent as much more has to be achieved," he said.

Ahmed said, the green energy is expensive now; but, if the people start using it the price will come down. Raising consumer awareness is important. This should also be a profitable business; otherwise, investment in the area will not be flowing. "We should be involving citizens in production of clean energy. They can sell the surplus," he said.

Mohammad Alauddin, Joint Secretary, Power Division said,

"Price of on grid solar power is also getting cheaper in Bangladesh. Latest negotiated tariff for per unit solar power for IPP is now about BDT 10 compared to BDT 15 which was obtained through competitive bidding in late 2012. However, our existing Power Purchase Agreement (PPA) need to be standardized for renewable energy projects, since they are only customized version from PPAs of conventional power projects. Existing incentive structure also needs to be revisited to minimize associated risks of investment in clean energy projects"

Humaira Azam, Deputy Managing Director of Bank Asia Ltd. Said, Bangladesh has limited resources; and it can go for partnership in the production of green energy. There is a problem in taking of a solar energy project as it takes a long time for implementation. This is because of problem in land acquisition.

He said, the developed nations are now moving away from nuclear power production because of vulnerability, and are replacing it with sustainable energy. She also cited the example of Taiwan and its success with bio gas. She said that bio gas has the potential to make an impact in a country like Bangladesh.

Shahed Khan of Biogas Development Foundation said during a survey it has been found that 50 percent of the biogas produced in the country is used for cooking, 40 percent for cooking/electricity and 5 percent for industrial purposes. The women are getting jobs and the people are getting cleaner environment.

He said the financing at 9 to 12 percent interest rate is costly. Bangladesh should try to secure low-cost foreign fund and channel it to green energy projects. At least 10,000 megawatt of power can be produced using waste in the country; and there should be a feasibility study on the green energy prospect in Bangladesh.

Lutfur Rahman from Greentech Foundation, said we have to address the challenges of capacity building, the awareness of the people, the demand and supply sides in the area of green energy.

An awareness campaign should be made on the benefit of green energy for the sustainable development of the country. Wave energy is important. We can use water sources for production of cleaner energy. Investors are looking for good project, which is sustainable.