As of June 2023, renewable resources, including solar, wind, hydro and biomass, collectively hold an installed capacity of 1,183MW, constituting a meagre 4.5 percent of the country's total installed capacity.

PHOTO: STAR/FILE

# Renewable energy push lacks clarity

## Shows study while revealing huge financing gap

STAR BUSINESS REPORT

Bangladesh's efforts to adopt renewable energy do not have clarity over the goal, and renewable financing has also proved to be largely inadequate, according to a study.

"So, it will not be possible to attain the renewable energy goal if the targets are not aligned with reality and adequate investment is not ensured," said Shah Md Ahsan Habib, professor at the Bangladesh Institute of Bank Management (BIBM).

While presenting the findings of the study, titled "Renewable Energy Financing in Bangladesh: Alignment with the National Policies", at a workshop in Dhaka yesterday, he said, "The government should align the target first. Then the plan from where you will get the investment and resources."

The Bangladesh Institute of Bank Management (BIBM) organised the workshop at its auditorium in the capital's Mirpur.

Referring to the findings, Habib said the government has set a target for achieving a 40 percent renewable energy share in total energy production by 2041 in the Mujib Climate Prosperity Plan (MCPP).

On the other hand, in the Integrated Energy and Power Master Plan (IEPMP) 2023, the government has set a lower target of achieving 8.8 percent renewable energy production by the same year 2041, he mentioned.

This means, he said the IEPMP was developed without taking into consideration the energy- mix suggested in the MCPP. It also shows a serious lack of coordination among government agencies, said Habib.

Bangladesh currently incorporates 2.93 percent of renewable energy, amounting to 650.14 MW, within the country's total energy production of 22,215 MW. A substantial portion of about 48 percent, or 10,678 MW, of the total power generation relies on natural gas, according to the study.

As of June 2023, renewable resources, including solar, wind, hydro and biomass, collectively hold an installed capacity of 1,183 MW, constituting a meagre 4.5 percent of the country's total installed capacity.

Here, solar power alone takes the lead, accounting for nearly 80 percent of all renewable sources, showed the study.

Habib said despite initial targets of generating 5 percent of its electricity from renewables by 2015 and 10 percent by 2020, as of June 2023, Bangladesh has fallen well short of its goals.

Citing another study of the local think tank Centre for Policy Dialogue (CPD), Habib said Bangladesh will require an estimated investment of $1.71 billion per year from 2024 to 2041 to achieve the ambitious 40 percent renewable energy target by 2041.

The Institute for Energy Economics and Financial Analysis (IEEFA), which studies energy markets, trends and policies, also estimates the annual investment at $1.53 billion to $1.71 billion.

This investment, however, does not cover the cost of grid modernisation and storage facilities.

**Despite initial targets of generating 5 percent of its electricity from renewables by 2015 and 10 percent by 2020, Bangladesh has fallen well short of its goals**

### INADEQUATE FINANCING

Despite improvement, financing for renewable energy production shows a visible gap, Habib shared.

He said small-scale local green entrepreneurs struggle to secure funding due to difficulties in proving creditworthiness, lack of proper documents and high transaction costs.

"Banks and finance companies often receive applications without proper documentation, eventually making it difficult to provide loans," said the BIBM professor.

Habib said banks and finance companies need to play a crucial role in ensuring adequate investment in the renewable energy sector to attain the nationally determined targets.

Habib said to achieve the 40 percent target, the country required Tk 20,520 crore investment in 2023, while banks and financial institutions disbursed only Tk 742 crore, leaving an investment gap of Tk 19,778 crore.

Whereas to achieve the 8.8 percent target set by the IEPMP, the country required Tk 4,514 crore investment in 2023, still falling short by Tk 3,772 crore from the amount disbursed in 2023, he mentioned.

Habib, who was among the five-member research team, said the yearly financing or investment gap needs to be covered by other sources like foreign direct investment (FDI) or by additional efforts by banks or finance companies.

Nurun Nahar, deputy governor of Bangladesh Bank, Md Akhtaruzzaman, director general at BIBM, Md Alamgir, associate professor, Md Ali Hossain Prodhania, supernumerary professor, SM Mahbub Alam, joint secretary of the Road Transport and Highways Division, Mohammad Delwar Hossain, joint director at Bangladesh Bank and other top officials also spoke at the event.

# Beximco sukuk can now be converted into ordinary shares

STAR BUSINESS REPORT

Investors who have Beximco Green-Sukuk Al Istisna'a can convert 20 percent of the shukuk to ordinary shares of Beximco Ltd.

In a newspaper advertisement yesterday, Beximco Geen-Sukuk Trust, a special purpose vehicle, informed that the record date for the third-year conversion of the sukuk into Beximco Ltd shares has been set on December 22 this year.

A sukuk is an Islamic financial certificate, similar to a bond in Western finance. A special purpose vehicle is a subsidiary created by a parent company to isolate financial risk, according to investopedia.com.

The record date was fixed through a meeting between Beximco Geen-Sukuk Trust and the sukuk trustee, Investment Corporation of Bangladesh, last Wednesday.

At the end of July 2022, the Bangladesh Securities and Exchange Commission had set the floor price of every stock to halt the free fall of the market indices amid global economic uncertainties.

The floor price, which is the lowest price at which a share can be traded, was the average of the closing prices on July 28 of 2022 and the preceding four days.

Though it was later lifted for most companies, it is still in place at Tk 115.60 for Beximco Ltd shares.

This has led to apprehensions among investors that the Beximco Ltd share price may drop by a large margin once the floor price was lifted, according to market analysts.

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# Address institutional barriers to social insurance scheme

## Analysts say

STAR BUSINESS REPORT

The interim government should address institutional shortcomings, particularly the lack of a dedicated body for the National Social Insurance Scheme (NSIS), said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue (CPD).

Coordination challenges have led to fragmented efforts across ministries, with limited institutional memory due to frequent leadership changes and insufficient documentation, he noted.

He made the remarks at the Second Social Insurance Forum (SIF), jointly organised by the Centre for Policy Dialogue (CPD) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH at the InterContinental Dhaka on Wednesday.

The second edition of the SIF aimed to advance the implementation of the NSIS in Bangladesh, the CPD said in a press release.

Established in January 2024, this forum provides a collaborative platform to address the pressing challenges and strategic priorities for social insurance in Bangladesh.

Key suggestions included transferring NSIS oversight from the Finance Division to the cabinet to streamline decision-making and considering the exclusion or redefinition of certain ministries' roles to reduce redundancy within the Social Insurance Cluster.

Jebunessa, programme associate at the CPD, recommended building a comprehensive management information system to consolidate

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# US firms at China trade fair upbeat on Trump future

AFP, *Shanghai*

American businesses at a major Shanghai trade fair said Thursday they were optimistic about US-China commerce under a second Donald Trump presidency, despite his tough rhetoric on tariffs raising fears of a new trade war.

During his campaign, the Republican pledged to slap 60-percent duties on all Chinese goods entering the United States, which could see the world's two largest economies embroiled in a repeat of the bruising contest that marked Trump's first term.

Beijing could retaliate by cutting imports of US agriculture and energy products, as well as limiting exports of critical rare earths, among other measures, an ANZ Research report released Thursday said.

But speaking to AFP at the China International Import Expo (CIIE), many firms maintained they were upbeat about their sector's prospects.

United Soybean Board chairman Steve Reinhard said he believes a Trump administration will mean renewed efforts to increase agriculture purchases by Beijing.

"When Trump was elected president the first time, they had the negotiations with the phase one trade deal and both parties agreed to that deal and it worked rather well," he said.

Reinhard was referring to an agreement struck between Washington and Beijing in 2020, intended to alleviate tensions caused by the trade war, that included a pledge for China to buy $32 billion of US agricultural goods.

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# What impact will Trump have on the world economy?

AFP, *Paris*

Donald Trump's return to the White House with his protectionist policies poses threats for the global economy, with the prospect of new trade wars, resurgent inflation and slower growth, experts say.

During his first term in office from 2017 to 2021, Trump often resorted to punitive tariffs in disputes with trade partners.

In this 2024 campaign, he pledged to impose an additional 60 percent import tariff on Chinese products and an extra 10 percent tariff on products from the rest of the world.

Taking into account the probable retaliatory measures from Beijing and Brussels, the impact on the European Union economy will be $533 billion through 2029, $749 billion for the United States and $827 billion for China, according to a study by the Roland Berger consulting firm.

A separate study by the London School of Economics estimated that the impact on emerging market nations such as India, Indonesia and Brazil would be much less.

Jamie Thompson, head of macroeconomic forecasting at London-based Oxford Economics, said he sees little short-term economic impact due to the delays in implementing policies, but they could be positive for growth.

"While the outlook for 2025 is essentially unchanged, global growth is likely to be a little stronger in 2026 and 2027 on the back of the election result, as the impact of looser US fiscal policy more than offsets the drag from targeted tariff measures," he told AFP.

But if across-the-board tariffs are imposed it "could leave the global economy around 0.75 percent smaller -- and global trade down some three percent -- by the end of the decade," he added.

An employee works at a plastic factory in Yiwu, China's eastern Zhejiang province. Taking into account the probable retaliatory measures from Beijing and Brussels, the impact on the European Union economy will be $533 billion through 2029, $749 billion for the United States and $827 billion for China, according to a study.

PHOTO: AFP/FILE

The prospects for international cooperation, which can boost trade and growth, will also be dimmer under a second Trump administration, said Tara Varma, a visiting fellow at the Brookings Institution, a US think tank.

"The multilateral world of the 1990-2000s will no longer exist," she said, adding that she anticipates a brutal change in US policies.

Donald Trump's policies could also rekindle inflation, which cooled following a series of interest-rate hikes that the Federal Reserve began to unwind this year.

The Peterson Institute for International Economics, a US think tank, estimated it could add between two and four percentage points to China's inflation rate.

Trump's promised higher import tariffs would "mean higher inflation, at least in the US, and most probably lower growth throughout the world", Bank of France chief Francois Villeroy de Galhau said -- adding that increased uncertainty would also weigh on growth.

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