

BD ECONOMY

POWER SECTOR | DSE

Govt stops buying power above average tariff: what it means for the economy and listed power stocks

A Power Division policy to shrink the subsidy burden and align with the IMF reform roadmap, just as Dhaka negotiates a new \$4.5–5 billion programme.

1 The numbers behind the move

Tk12.80

BPDB avg purchase rate per unit

Tk8.50

Avg selling rate per unit

Tk4.30

Subsidy per unit (about 34% of purchase cost)

Tk28,000 cr

Fertiliser subsidy, up nearly 4x in 5 years

2 The new purchase policy

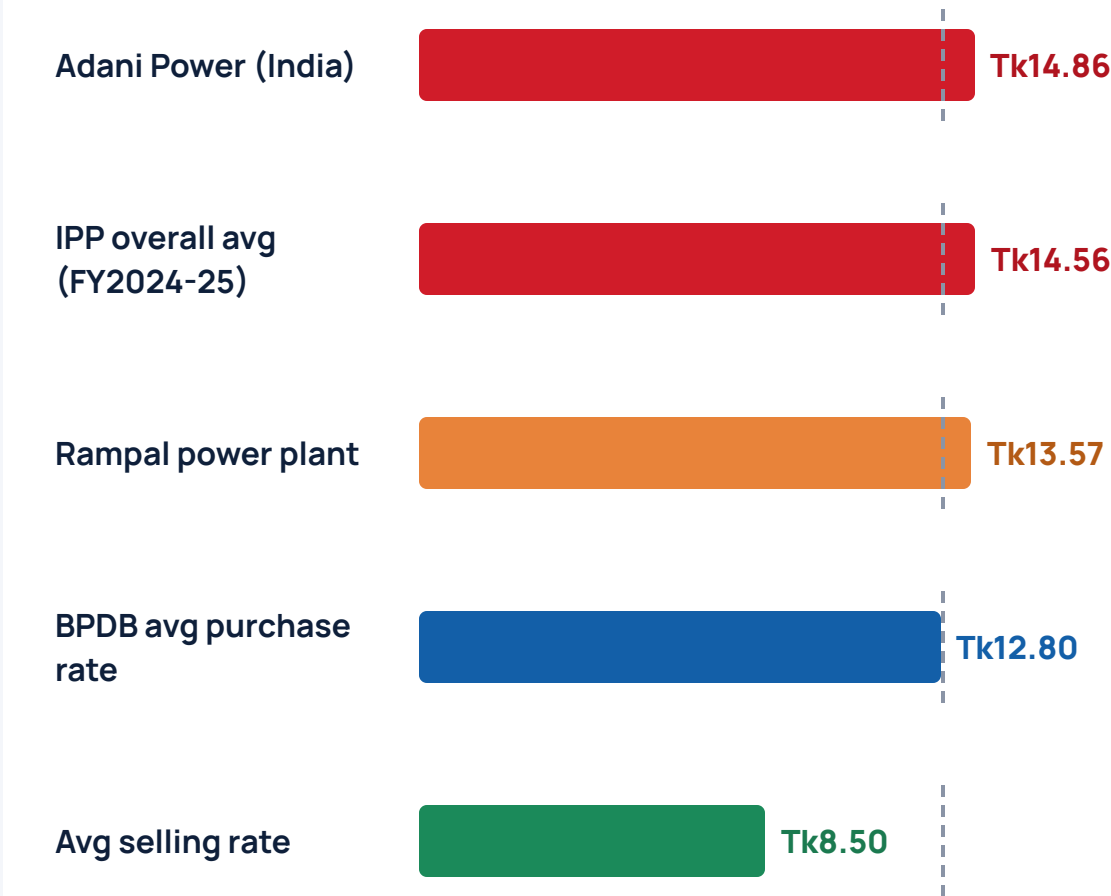
- 1

No new power purchase agreements at rates above the average tariff.
- 2

No tenure extension for existing deals carrying such rates.
- 3

Steps conform to the IMF three-year reform roadmap.

3 Why it matters: who is paying above the line



Dashed line = BPDB average purchase rate (Tk12.80), shown as a reference point.
Rates per unit (kWh). Source: Power Division / BPDB figures via The Business Standard.

Impact on the Bangladesh economy

- Positives

✓

Lower subsidy bill eases fiscal pressure and supports the FY2026-27 budget deficit target.

✓

Strengthens the case for a new IMF loan (target: January 2027), which supports reserves and confidence.

✓

Less need for tariff hikes, which helps inflation and industrial costs.

✓

Signals wider subsidy reform: gas, and fertiliser (Krishak Card cash support).

- Risks

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Letter gives no estimate of actual subsidy savings.

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"Average tariff" is technically hard to define across plant types and gas supply.

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Global fuel price swings can still widen the gap.

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Retailer supply must be protected while prices are kept affordable.

4 Impact on DSE-listed power sector (indicative view)

Segment	Likely effect	Why
Transmission / distribution (e.g. PGCB, DESCO)	Mildly positive	Healthier BPDB finances may improve payment discipline and tariff stability; frequent returns limit direct exposure.
Older IPPs / rental plants (e.g. Summit, Khulna Power, Doreen)	Cautious	Contracts priced above average tariff cannot be extended. Renewal risk and weaker terminal value as PPAs expire.
Newer, efficient capacity (e.g. UPGDCL-type, renewables)	Mixed	Lower-cost plants gain relative preference, but new PPAs must price at or below average tariff, compressing margins.
Fuel suppliers and wider market	Sentiment +	An IMF deal and reform credibility can lift investor confidence and ease dollar stress across the DSE.

Company names are examples of segment exposure, not recommendations. Effects depend on each firm's PPA terms and expiry dates.

5 Key factors for investors

- Receivables

Power producers depend on BPDB dues. Lower subsidy stress can speed collections and cut borrowing costs.
- PPA expiry calendar

Check each company's contract end date and tariff versus the average benchmark.
- Fuel and FX

Gas availability, imported fuel prices and taka movement affect margins regardless of policy.
- Policy follow-through

Implementation has to match the announcement, including any renegotiation of existing deals.

6 What to watch next

Bangladesh-IMF meeting

On the sidelines of the Bangkok annual meetings (12–13 Oct)

New IMF programme

Aim to finalise by January 2027; \$4.5–5bn under discussion

Average tariff method

A clear, accepted formula for the benchmark

Fertiliser reform

Phase-out of price controls and farmer database build-out