



Brunei Darussalam: How to Build an Investment Climate for Renewable Energy?

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Action plan to attract investment in renewable energy in Brunei Darussalam

- Prioritise renewable energy in the governance system
- Adopt and implement key legislation
- Mobilise domestic investors
- Improve market entry for foreign investors

Brunei Darussalam has yet to make major progress in renewable energy and become an attractive destination for investors. Only 0.05% of Brunei's electricity came from renewable energy sources, while 99.95% was based on fossil fuels [1]. In 2014, the country set a renewable energy target of 10% in the power generation mix by 2035 [2]. To reach the target, it needs to increase the share of renewables by 0.66% every year from 2020 to 2035. The country still needs to adopt a regulatory regime to scale up the development of renewable energy, particularly solar energy, which is more abundant than wind energy.

Taking this into account, we propose four actions to build the investment climate for renewable energy in Brunei Darussalam.

Action 1: Prioritise renewable energy in the governance system

If Brunei Darussalam seeks to attract more investment in renewable energy, it could start by prioritising renewables in the governance system. As of 2020, renewable energy policy is implemented by two small government bodies that have limited resources to govern the sector (see Figure 1). Any ambition to increase the share of renewables in the country's energy mix would benefit from more governance resources. Thus, the government could establish a separate and autonomous renewable energy body and assign regulatory and enforcement powers to it. If renewables are governed separately from fossil fuels, this could trigger interest and boost confidence among investors in that the country has genuinely prioritised renewable energy [3].

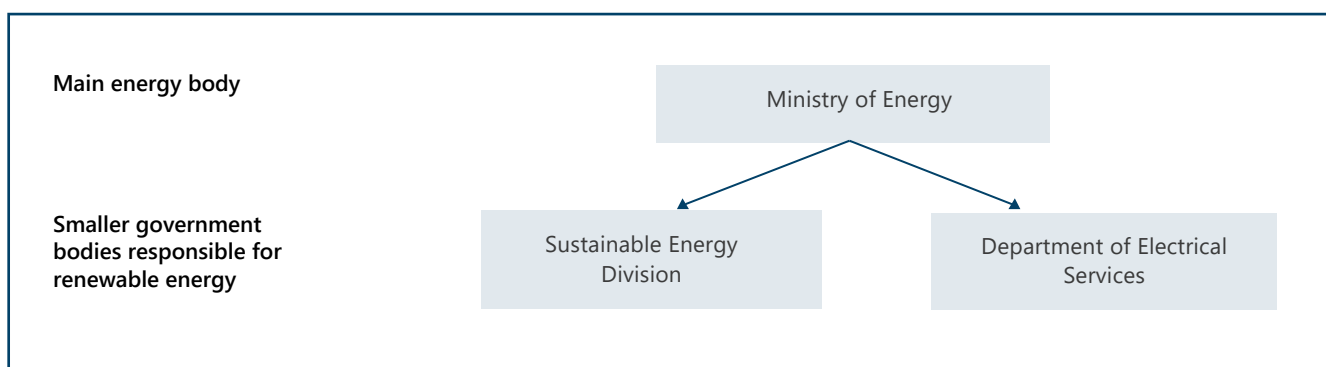


Figure 1. Current energy governance in Brunei Darussalam

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Table 1. Brunei Darussalam’s regulatory framework compared to other ASEAN countries (2020)

Type of policy		Philippines	Vietnam	Indonesia	Malaysia	Thailand	Singapore	Myanmar	Lao PDR	Cambodia	Brunei Darussalam
Regulatory policies	Renewable energy in INDC or NDC	•	•	•	•	•	•	•	•	•	•
	Renewable energy targets	•	•	•	•	•	•	•	•		•
	Feed-in tariff/auctions/premium payment	•	•	•	•	•				•	
	Net metering/billing/direct consumption-supply	•	•	•	•		•				
	Biofuel blend obligation/mandate/target	•	•	•	•	•					
	Electric utility quota obligation/RPS	•	•	•	•						
	Tradable REC		•								
	Renewable heat obligation/mandate										
Fiscal incentives and public financing	Tax incentives	•	•	•	•	•		•	•	•	
	Public investment/loans/grants/subsidies/rebates	•	•	•	•	•	•		•		
	Reductions in sales, CO ₂ , VAT or taxes	•	•	•	•	•		•			
	Tendering	•		•	•		•				
	Investment or production tax credits	•	•	•							
	Energy production payment	•				•					

Sources: [5,6].

Action 2: Adopt and implement key legislation

Brunei Darussalam has adopted renewable energy targets and made renewable energy part of its Nationally Determined Contribution (NDC) under the Paris Agreement [4]. However, it still has not adopted the regulatory policies and fiscal incentives viewed as best practices in renewable energy policy (see Table 1). One of the immediate measures for Brunei Darussalam could be to decide on a policy path and opt either for feed-in tariffs to give financial security to renewable energy investments or auctions of long-term renewable energy supply contracts. Depending on which path is chosen, other ASEAN member states could share their successful experiences in (Vietnam on feed-in tariff measures, Cambodia on auction policy).

Action 3: Mobilise domestic investors

Brunei Darussalam has a financially stable private sector based on revenues from the fossil fuel industry. Energy projects are financed by public and domestic private investors. One way for the government to boost renewable energy developments could be to provide a set of financial and tax incentives for private investors to encourage them to invest in solar energy projects. One way to do this could be via public-private partnerships.

Action 4: Improve market entry for foreign investors

Brunei Darussalam could improve its investment climate by initiating a dialogue with foreign and domestic investors on how to achieve its 10% target and potentially exceed it. Currently, foreign investors should be able to find latest information about market opportunities and regulatory changes in the renewable energy sector. Market analysis is complicated because the existing information channels are opaque, and it is not clear which government bodies are responsible for renewable energy. Consolidating and organising such information and publicising it would be a significant step towards easing market entry. The Ministry of Finance could make the information on company registration and issuing investment licences more easily available to investors. The Department of Electrical Services of the Ministry of Energy, which acts as off-taker, could streamline the issuance of operating licences and provide more detailed information about the process to stakeholders.

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Correction: An earlier version of this Policy Brief misidentified Brunei Darussalam's IRENA membership. Brunei Darussalam has been a member of IRENA since June 2009, and we revised the Policy Brief accordingly.


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