

Access to Clean Energy Fund for Off-Grid Energy

Mr. S Dhamija

National Bank for Agriculture and Rural Development (NABARD), India

Empowering Direct Access

23-25 May 2017 | GCF Headquarters, Songdo

Brief Snapshot

Project/ Programme Executing Entity – Indian Renewable Energy Development Agency Ltd. (IREDA) under Ministry of New and Renewable Energy, Govt. of India

Programme Duration - 15 years

Total Outlay - US\$ 120 million

Project Sponsor Contribution - US\$ 60 million (includes an equity contribution as well as funds raised from other sources, such as multilateral agencies or public/private sector investors)

Amount Requested - GCF Support requested US\$ 60 million which :

- USD 40 million as concessional loan (0%) from GCF
- USD 20 million as grant for technical assistance and credit enhancement

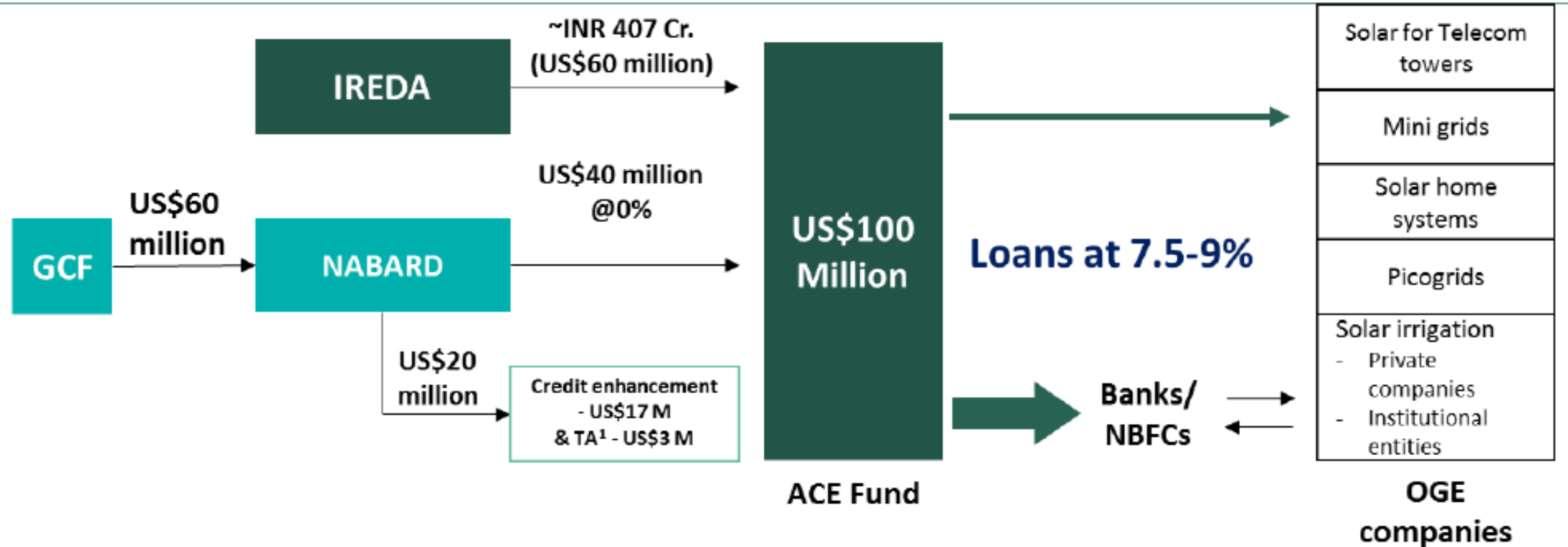
Result Area - Reduced emissions from energy access and power generation

Background



- Off-grid energy (OGE) companies face multiple business challenges like
 - high upfront capital requirement, high operational and maintenance costs
 - small revenue ticket size with uncertain and irregular payment cycles, and
 - investment capital at risk due to instalment based payment systems.
- Therefore, banks and financing institutions (FIs) have a ‘high risk’ perception of OGE companies. Furthermore, since this is a relatively new sector, there is little data on companies’ past performance. Lastly, as these companies are small, they do not have adequately large balance sheets to seek commercial debt.
- At present, the rate of interest for OGE companies lies between 13-18%.

Proposed Solution



*A forex hedging cost of 5% and 2% administrative cost to be added by IREDA on the GCF loan

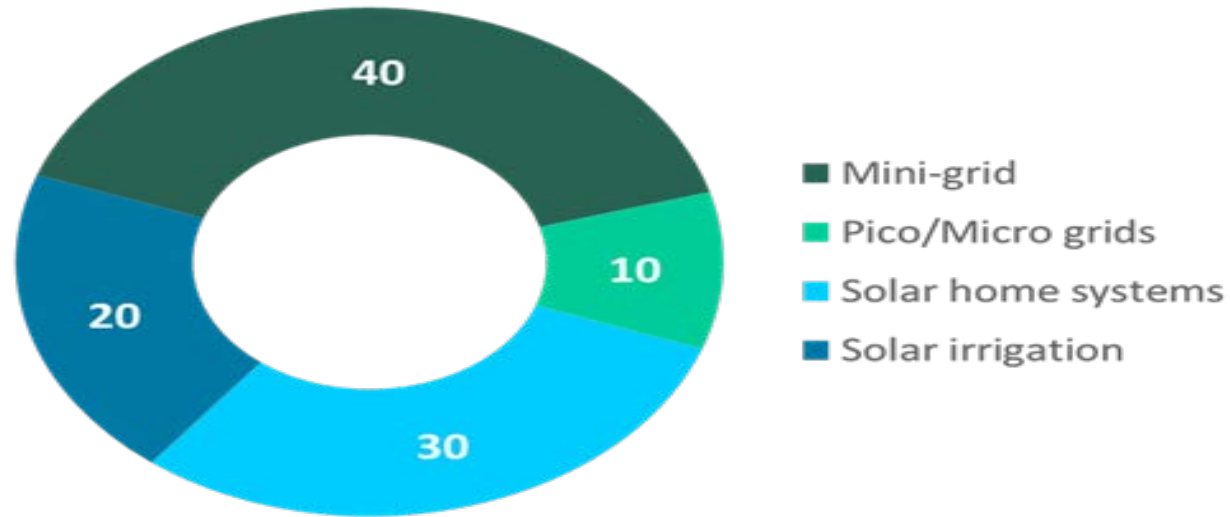
¹TA: Technical Assistance

Component wise breakdown

Component	Amount (for entire project) US\$	IREDA co-financing US\$	GCF funding amount US\$
Component 1: US\$100 million Revolving Credit	100 million	60 million	40 million (interest-free loan)
Component 2: US\$17 million credit enhancement	17 million	-	17 million (grant)
Component 3: Technical assistance for dedicated unit and capacity building	3 million	-	3 million (grant)
Total financing sought	120 million	60 million	60 million

Products to be supported from ACE fund

Indicative portfolio allocation (US\$ million)



Allocation of funds (indicative)	Loan Tenor	Amount(USD mn)
Product 1 - Long term	8	28.000
Product 2 - Medium Term	5	28.000
Product 3 - Short Term	2	44.000

Environmental and Socio-Economic Impacts

Impacts

This fund is expected to provide providing clean energy access to an estimated 1.53 million households. Based on assumptions made, clean energy capacity creation is expected in turn, to offset over 2.5 million tCO₂e over 15 years.

National impact

- Support the Government of India's (Gol) target to provide electricity to all households by 2019.

Sectoral impact

- Catalyze lending to the off-grid sector by evolving a new debt product, which will form the basis for the scale up of capital to a sector.

Social and Economic Impact

- Significant health and economic benefits by enabling fossil fuels replacement
- Significant contribution to education of children and reduced drudgery of women.

Funding Proposal Development Process

1. Project Concept note was approved in Second Empowered Committee meeting held on 27 September 2016
2. Development of DPR is in progress by the Executing Entity - IREDA
3. Main difficulties encountered related to the FP requirements – Environment & Social Management Plan & Gender Action Plan
4. NABARD seek support and guidance from GCF in terms of development of funding proposal and supporting documents as per FP requirements

Key challenges

Key challenges

- Better financial structuring to keep interest rates low for OGE companies- below (10%)
- To encourage financial institutions- by incentivizing or through credit enhancement
- To ensure sustainability
- Implementation and delivery arrangements
- Environment & Social Management Plan & Gender Action Plan

Assistance or guidance required

- To address the above mentioned challenges