# Roundtable on Partial Risk Guarantee Fund for Energy Efficiency with Banks, ESCOs & FIs

## **Event Proceedings**

## Event details:

**Date:** Saturday, October 3, 2015

**Time:** 10:00 Hrs. to 13:00 Hrs.

**Venue:** Hotel Trident, Mumbai

## Objective:

The objective of the Roundtable was to apprise the key stakeholders like Financial Institutions, Energy Service Companies, equipment manufacturers and facility owners about the various aspects of the Partial Risk Guarantee Fund, an initiative by the Ministry of Power. Through this Roundtable, Bureau of Energy Efficiency and Energy Efficiency Services Limited urged the stakeholders to avail the benefits of this scheme.

## Chief Guest:

Shri B.P. Pandey, Additional Secretary, Ministry of Power was the Chief Guest of the event.

Flow of event

Opening remarks

Shri Saurabh Kumar, Managing Director, Energy Efficiency Services Limited (EESL) welcomed the Chief Guest and the participants and provided a context to the Roundtable. Shri Kumar kickstarted the event by giving an overview of recently announced Intended Nationally Determined Contributions (INDC) by the Government of India and the prominence given to energy efficiency in the document. Shri Kumar apprised the audience of the challenges faced by the energy service companies in realising the true potential of the energy efficiency market in India. Keeping in mind these challenges, especially with respect to financing, Shri Kumar unveiled the ***Partial Risk Guarantee Fund for Energy Efficiency (PRGFEE)***.

Key-note address

Shri B.P. Pandey, Additional Secretary, Ministry of Power highlighted the criticality of the Partial Risk Guarantee Fund, given the commitments by India to the international community towards climate change. Shri Pandey lauded the efforts of Bureau of Energy Efficiency and EESL towards making this Fund a reality. He mentioned that funds like PRGFEE shall help the Government of India in meeting the voluntary targets set under India’s Intended Nationally Determined Contribution, where India has declared a voluntary goal of reducing the emissions intensity of its GDP by 20-25% by 2020 (over 2005 levels).

Presentation by Ms, VineetaKanwal, Assistant Energy Economist, Bureau of Energy Efficiency

Ms. VineetaKanwal gave the audience an overview of the various aspects of the Fund. The presentation entailed the following:

1. Projects eligible for the PRGFEE
2. Procedure for seeking the guarantee under the scheme
3. Features of the Fund
4. Agencies involved in the scheme
   1. Source Agency: Bureau of Energy Efficiency
   2. REC will work as Consortium Member for the PRGFEE Fund
   3. REC PDCL will work as lead Implementing agency for PRGFEE Fund
   4. EESL will works as Marketing and Aggregation Agency for PRGFEE Fund

Ms. VineetaKanwal also gave the audience an overview of the Venture Capital Fund for Energy Efficiency (VCFEE).

Signing of Charter by Yes Bank and BEE

Yes Bank signed a Charter with BEE during the event for their empanelment with BEE under PRGFEE. Under this Charter, BEE and Yes Bank intend to work towards promoting energy efficiency in all sectors of Indian economy by using finance as an enabling framework.

Shri Pandey mentioned that the pioneering step taken by Yes Bank is remarkable and other Banks/NBFCs shall be motivated to join this league and contribute in promoting EE in India

Presentation on marketing and enrolment approach by Ms. Neelima Jain, National Programme Manager – DELP, EESL

After an informative session by Ms. Kanwal, Ms. Neelima Jain apprised the audience of the rollout and marketing strategy by EESL for the PRGFEE. During this presentation, Ms. Jain explained the various steps that the rollout strategy entails:

1. Stakeholder mapping
2. Awareness generation
3. Identifying projects managed by ESCOs
4. Facilitating collaboration between financial institutions and implementing projects

Ms. Jain also provided an overview of the marketing tools that will be adopted to create awareness about the Fund. These include empanelment of financial institutions and ESCOs with BEE, creating customised content like brochures, guideline sheets, conducting focused conferences and workshops and investing in capacity building of all stakeholders.

Presentation by Shri U V Krishna Mohan Rao, Chief Executive, U V Krishna Mohan Rao Associates

Shri Rao presented case studies of energy efficiency projects conducted by his firm across India, Nepal and Bangladesh. The case study presented was with Gokarna Resort in Nepal, partnering with IFC, Clean Energy Bank, Nepal and Garuda Energy, a local ESCO in Nepal. The presentation highlighted the potential for high returns from implementing energy audits and undertaking energy efficiency projects by facility owners. The audience were informed of the benefits of such projects, both from a financial to the environmental aspects.

The challenges highlighted in the presentation were:

1. Access to financing for ESCOs, as there is lack of collateral to be presented to financial institutions for loans
2. Lack of understanding in facility owners to undertake energy efficiency projects

Shri Saurabh Kumar offered assistance under the PRGFEE to Mr. Rao for future projects and reiterated that information dissemination would be conducted across all stakeholders including facility owners.

The case studies presented by ESCOs regarding financing of EE projects showcased the urgent requirement of EE finance to ESCOs like UVK. Shri Pandey, AS MoP proposed that similar to Nepal’s Clean Energy Bank, BEE should also propose for a Clean Energy Bank in India which will help more to these ESCOs in meeting the requirement of un-securitized loans. Secondly, it has also been felt to sensitized PFIs like REC and PFC for opening a window for EE projects with incentives to ESCOs.

Presentation by Shri Sunil Rathi, AGM, ICICI Bank

Shri Sunil Rathi apprised the team of the exemplary work done by ICICI Bank in the area of energy efficiency by way of the Deposit, Insurance, Credit Guarantee scheme. Post the presentation, there was an open-house discussion on the primary loans to be given to ESCOs and if they could be brought under the priority sector advance. Shri Pandey, Additional Secretary highlighted that priority sector lending is for social sector purposes, however, a status of infrastructure development could be provided to ensure a lower rate of lending.

During the presentation, Shri Rathi and other representatives of the Banks/FIs present expressed that the Guarantee Fee of 1% under the PRGFEE is too high and needs to be brought down in order to facilitate more participation since this EE market is still in nascent stage in India.

Presentation by Shri. GiteshKedia, Executive Director, Corporate Finance, YES Bank Ltd.

Shri GiteshKedia presented the focus of Yes Bank in conducting energy efficiency projects and the market potential for the same. The Bank is one of the key lenders across new and renewable energy projects as well. Shri Kediahighlighted the concerns of the financial institutions in the past with regard to providing assistance to ESCOs and facility owners. However, with funds like PRGFEE, the banks are assured of a 50% guarantee of the risk. Shri Kediaalso highlighted that with the cap of project size increasing to Rs. 15 crore, there is a possibility of taking up larger projects which is beneficial for the financial institutions as well.

One of the most pertinent points made by Shri Kedia was the need to quantify the energy savings from these projects so as to set future examples for banks and increase the ESCO’s credit worthiness.

During the discussion, it was highlighted by Shri Pandey, AS, MoP that projects covered under PRGFEE shall not be covered under VCFEE.

Presentation on EE Funds through Regulatory Process, Dr. Mahesh Patankar

Shri Patankar gave the audience an understanding of the various models that need to be adopted to promote implementation of energy efficiency projects. During the presentation, he highlighted the need for ensuring that there is ample funding available upfront, along with provisions for providing funding later. Given the ongoing revision to the National Tariff Policy and present regulatory requirements for the same, there is scope to embed provisions for such funding.

The members from the audience also provided examples of tariff rebates to projects which encourage users to use energy efficient systems.

Shri Patankar proposed levy of Rs. 1 paise per KWH across states like Punjab, Haryana, and Delhi to develop a corpus of funds for energy efficiency projects. However, while funds like State Energy Conservation Fund (SECF) are available with all states and can be further developed, there is a need for good conduits to use those funds. Shri Pandey proposed larger involvement of the green energy arm of institutions like Power Finance Corporation (PFC).

## Closing remarks

Shri Pandey provided his remarks by saying that energy efficiency is one of the focus areas for the government of India. He stated that proceedings of the Roundtable showcase that PRGFEE is a very viable and credible debt instrument for energy efficiency projects. There is now a need to develop a robust marketing strategy which will help ESCOs to build financially viable business proposals, create demand for ESCO projects, mapping of clients who are coming up with EE projects, interaction with Public financial institutions for opening up windows for financing EE projects.

Shri Pandey also highlighted that looking at the completion of basic work with regards to preparation of Operations Manual, and awareness among FIs and ESCOs for PRGFEE, the rules for operationalization of PRGFEE will be notified at the earliest so that guarantees could be issued.

## Valedictory remarks

Shri Saurbah Kumar, MD, EESL thanked all participants for attending the event and sharing their wisdom with the larger community. He stated that schemes like PRGFEE can unlock the investment potential of the energy efficiency market and can address specific barriers that have so far led to failures.

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