

## Partial Risk Guarantee Fund for Energy Efficiency (PRGFEE)



### Bureau of Energy Efficiency

The Government of India enacted the Energy Conservation Act 2001 in September 2001 with an objective to promote and enforce the progressive regime of Energy Conservation. The Act laid the foundation for establishment of the Bureau of Energy Efficiency (BEE).

BEE's objective is to facilitate the Central Government in formulation of a regulatory framework for energy efficiency and conservation in India, promote energy efficiency by increasing awareness via dissemination of information for efficient use of energy and its conservation, and develop promotional financing schemes.

### National Mission for Enhanced Energy Efficiency

In June 2008, the Government of India released the National Action Plan on Climate Change (NAPCC) with the objective of achieving a sustainable path of development that simultaneously advances economic and environmental objectives. The National Mission on Enhanced Energy Efficiency (NMEEE) is a key component of the NAPCC. Its key initiatives include:

- **Perform, Achieve and Trade (PAT):** A market based mechanism to enhance cost effectiveness of improvements in energy efficiency in energy intensive large industries through certification of energy saving that could be traded.
- **Market Transformation for Energy Efficiency (MTEE):** Innovative measures to accelerate the shift to energy efficient appliances in designated sectors and make the products more affordable.
- **Energy Efficiency Financing Platform (EEFP):** A mechanism to finance DSM programmes in all sectors by capturing future energy saving.
- **Framework for Energy Efficiency Economic Development (FEEED):** Fiscal instruments, such as the Partial Risk Guarantee Fund for Energy Efficiency (PRGFEE), to promote energy efficiency.

## What is Energy Efficiency ?

Energy Efficiency (EE) project refers to any process, technique or equipment that helps to achieve reduction in energy consumption to perform a designated operation to achieve same or better level of output while maintaining or improving processing time, quality, performance and safety with minimal environmental impact.

## Why invest in Energy Efficiency ?

- To increase profits by reducing energy consumption
- To lower vulnerability to energy prices
- To reduce the need for investment in newer power plants and import of energy
- To reduce the dependence on conventional resources like oil and natural gas
- To reduce emission of air pollutants

## Partial Risk Guarantee Fund for Energy Efficiency



The Partial Risk Guarantee Fund for Energy Efficiency (PRGFEE) is a risk sharing mechanism to provide commercial banks with a partial coverage of risk involved in extending loans for energy efficiency projects. The Government of India has approved around INR 312 crores for PRGFEE. The guarantee provided by the fund will directly support financing of energy efficiency projects by:

- Addressing the risks and barriers faced and/or perceived by the financial institutions to financing ESCOs for implementing ESPC-based EE projects in India
- Engaging Participating Financial Institutions (PFIs) and building their capacity to finance EE projects on a commercially-sustainable basis
- Engaging commercial financial institutions and building their capacity to finance energy efficiency projects on a commercially sustainable basis

## Key Features of PRGFEE

- The PFI will take guarantee from the PRGFEE before disbursement of loan to the borrower. The Guarantee will not exceed INR 300 lakhs per project (proposed to increase up to INR 1,500 lakhs) or 50% of loan amount, whichever is less.



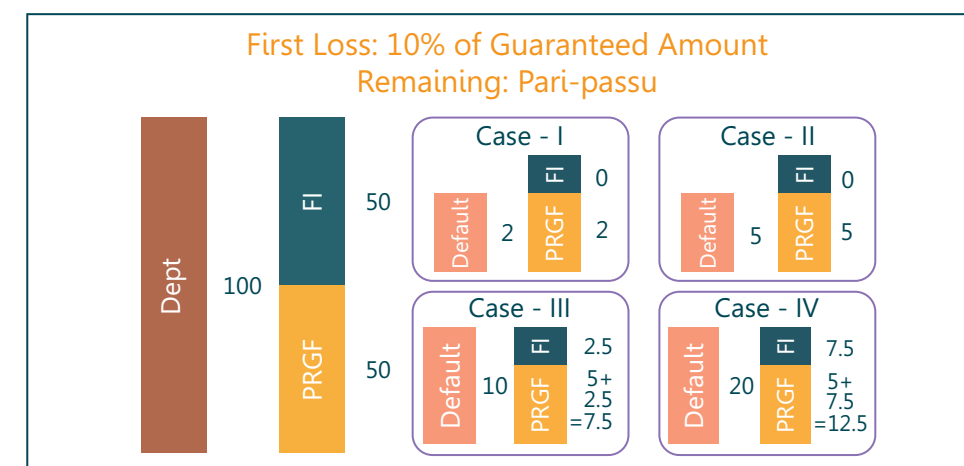
- Maximum tenure of the guarantee will be five years from the date of issue of the guarantee.
- Eligible projects under the PRGFEE, for which the PFI can apply for a guarantee, could be credit facilities extended by PFI to ESCO for energy efficiency projects.
- PFIs will be empanelled with BEE.
- BEE will select a Public Financial Institution as the Implementing Agency (IA) for implementing all the activities under PRGFEE like approval of proposals and signing of guarantee agreements, regular monitoring of project and appointment of M&V consultant for processing guarantee claims.
- BEE has constituted a Supervisory Committee to provide guidance as well as monitoring progress in PRGFEE.

## Sectors in the Mandate of PRGFEE

- Government Buildings
- Municipalities
- SMEs
- Industries

## Eligibility for PRGFEE

- ✓ Seek to achieve demonstrable energy savings and mitigation in emissions of greenhouse gases
- ✓ Propose a viable method to monitor and verify energy and greenhouse gas emission savings
- ✓ Be a new project, not refinancing existing projects or any outstanding obligations of the Eligible Borrower
- ✓ Use viable technology and be developed with competent energy audit/feasibility studies
- ✓ Project must be implemented by BEE empanelled ESCO on performance contracting mode
- ✗ Performance risks are specifically guaranteed under a scheme operated/administered by Deposit Insurance and Credit Guarantee Corporation or the Reserve Bank of India or by Government or by any general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity.
- ✗ Any project, which does not conform to, or is in any way inconsistent with, the provisions of any law, or with any directives or instructions issued by the Central Government or State Government or the Reserve Bank of India.
- ✗ Any project proposal by a particular ESCO, which has not repaid any portion of the amount due to a PFI for a Risk Claim under PRGFEE.



## Guarantee under PRGFEE

- The PRGFEE guarantees a maximum 50% of the loan (only principal) provided by the PFI. In case of default, the fund will:
- Cover the first loss subject to maximum of 10% of the total guaranteed amount.
- Cover the remaining default (outstanding principal) amount on pari-passu basis up to the maximum guaranteed amount.
- The exact guarantee percentage for each guarantee facility will be finalized by the Supervisory Committee based on the risk assessment.
- PFI shall take guarantee from the PRGFEE before disbursement of loan to the borrower i.e. ESCO subject to payment of guarantee fees.
- The Guarantee will not exceed Rs.300 lakh per project (proposed to increase up to INR 1500 lakhs) or 50% of loan amount, whichever is less. This limit is applicable in terms of maximum amount of guarantee that can be given to any one project by the BEE under the PRGFEE.

## Who are the ESCOs ?

Every year, the BEE empanels Energy Service Companies (ESCOs). There are 137 ESCOs empanelled with BEE as on 30<sup>th</sup> October, 2013. To view the list of ESCOs, visit <http://beeindia.in/content.php?page=schemes/schemes.php?id=3>

## How does PRGFEE work ?

- 1 Submission of loan application by ESCO to PFI
- 2 Scrutiny and analysis of application Form by PFI
- 3 Approval or rejection of loan proposal by PFI
- 4 Sign EE loan agreement with ESCO
- 5 Sign for establishment of Trust and Retention Account (TRA)
- 6 Submission of guarantee application form alongwith fee by PFI to IA
- 7 If Guarantee application form is approved by IA, the guarantee agreement shall be signed between IA and PFI
- 8 Submit a quarterly MIS report to IA
- 9 Monitor the TRA for every EE loan account
- 10 Submit guarantee claim to IA in case of default
- 11 Comply with directions as may be issued by supervisory committee/BEE, from time to time

## Empanelment Process of PFIs

- Step 1: Go through EOI for empanelment of PFI available on BEE's website.
- Step 2: Submit application to BEE, alongwith documents mentioned in EOI
- Step 3: BEE shall scuritinize the application
- Step 4: If application is accepted, a MOU shall be signed between BEE and PFI

## Benefits to Empanelled PFIs

- PFIs shall be empanelled for a long time with BEE i.e. for 5 years
- PFIs shall be eligible to seek guarantee under PRGFEE, however, non-empanelled FIs shall not be eligible to seek guarantee.
- Advantage of participating in training / awareness programmes that will be organised by BEE.
- Information regarding empanelled PFIs shall be kept on BEE's website.

## Roles and Responsibilities of Primary Stakeholders

### Bureau of Energy Efficiency

- Nodal Agency
- Appointment of Implementing Agency
- Update the list of BEE's empanelled ESCOs on the BEE website
- Enpanelment of Independent Measurement & verification (M&V) Agency
- Enpanelment of PFIs under PRGFEE
- Carry out annuals visits and submit reports to SC
- Manage the PRGFEE administrative account

### Implementing Agency

- Assistance to BEE in empanelment of PFIs
- Review the progress reports & statement of accounts provided by PFIs on utilization of the fund
- Update the Supervisory Committee on the progress of the scheme
- To appraise guarantee applications and sign guarantee agreements with PFIs.
- IA shall appoint BEE's empanelled M&V Agency on receipt of any guarantee claim and shall process as well as approve the Guarantee claim.

### Financial Institution

- Evaluate loan applications by using prudent banking judgement
- Closely monitor the borrower account
- Safeguard the primary securities
- Submit verification report with complete due diligence
- Safeguard the interest of PRGFEE
- No delay to notify the default in borrowers

## Contact Information

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