

Revised SBP financing scheme attracts 11 applicants for green energy projects

By Our Correspondent

LAHORE: The response of commercial banks and renewable energy project sponsors regarding revised State bank of Pakistan (SBP) financing scheme has been overwhelming and as many as 11 applications have so far been received in this regard, officials said on Saturday.

This was informed at a seminar, organised for dissemination of salient features of revised SBP scheme for financing of renewable energy projects. HP Cogen Pak Project has organised seminars in collaboration with the SBP. More than 70 participants from sugar mills and leading commercial banks attended the seminars held in Karachi and Lahore.

Omar M. Malik, project director, HP Cogen-Pak Project briefed the participants about project components and services. The main agenda of the seminars was to launch SBP's Revised Financing Scheme for Renewable Energy, and to brief banks and sugar mills about the process to apply for funding.

The key speakers included Dr. Muhammad Saleem (Additional Director IH & SMED) from State Bank of Pakistan and Mr. Huzafa Mazahir Ali (Director) from E&Y.

Saleem presented the salient features of the newly announced refinancing scheme and said the response of commercial banks and RE project sponsors was overwhelming and SBP has received 11 applications under the revised scheme.

"Before revision only one project sponsor had applied to the SBP in past six years," he said. Saleem appreciated the role of HP Cogen-Pak Project and E&Y in undertaking an assessment of market demand, concerns of the banking sector, and proposing recommendations for the revision of the refinancing Scheme.

Revised scheme contains two categories and under the category one; financing will be provided for large renewable energy projects ranging from (more than 1 MW to 50 MW).

While under category two; financing will be provided for small scale renewable energy solutions (less than 1 MW) in order to promote renewable energy among consumers following NEPRA's Net Metering Regulations of 2015.

The scheme is available for power generated by using alternative / renewable energy sources (solar, wind, hydro, bio-gas, bio-fuels, bagasse cogener-

ation, and geothermal as fuel). Financing for civil works has been allowed as well to promote project financing.

Financing facilities under the scheme will be provided through all commercial banks and development finance institutions (DFIs).

Total tenor of loan has been extended from 10 to 12 years, including maximum grace period of two years. Banks' spread under the scheme has been increased by 100 bps (reaching 4.00 percent).

The rate of service charge at which SBP will provide refinancing to the Banks/DFIs will be fixed for the entire duration of the loan, provided the borrowers continue to repay on due dates as per repayment schedule.

Principal amount of loans will be repayable in quarterly or half yearly installments after prescribed grace period, if any.

Huzefa Mazahir Ali, representative of Ernst & Young Ford Rhodes Sidat Hyder, presented the work undertaken by the HP Cogen Pak Project, and the recommendations provided for the revision of the re-refinancing scheme, in the light of other Asian examples and experiences, as well as consultations with banks and sugar mills.