SBP's Refinancing Scheme for Renewable Energy (Revised)

Dr. Muhammad Saleem
Additional Director
State Bank of Pakistan

Pakistan's Energy Supply and Demand

- Installed power generation capacity: 22,928 MW
- Heavy reliance on non renewable resources.
- Less than 2 percent from RE sources
  - Very low compared to regional and international level
  - Expensive and not environment friendly
  - Shortage of around 6,000 MW
- According to the National Energy Conservation Center (ENERCON), annual energy savings of up to 25 percent are possible in all sectors, which equates to approximately $3 billion per year.

Renewable Energy Potential in Pakistan

S. No.	Source	Estimated Potential (GW)
1.	Wind	340
2.	Solar	2,900
3.	Hydro:	
	Large	50
	Small	3.1
4.	Bagasse Generation	1.8
5.	Waste	0.5
	Total	≈3,300 GW
	Source: IFC	

Identified RE Investment Potential in Major Sectors

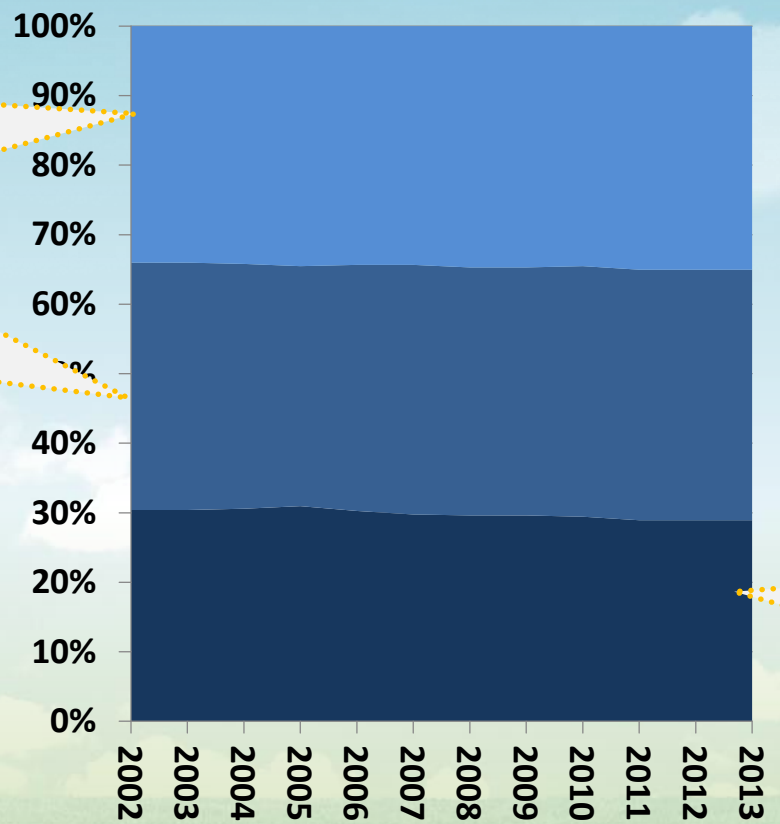
Sector type	Sub-Sector	Potential Investment RE *(M PKR)*	Main Equipment for investment RE
Industrial	Textile	133,500	Solar water heaters ("SWH"), wind power, photovoltaics ("PV")
	Sugar	16,700	Biomass, PV
	Leather	12,000	PV, SWH
	Paper	1,400	Biomass, SWH
	Cement	33,000	Wind power, concentrated solar power
	Fertilizer	10,800	PV
	Other sectors	52,000	Various technologies
Non-industrial	Agriculture	647,600	Direct combustion of biomass, biogas, solar water pumping
	Residential	166,000	Biomass from municipal waste and animal manure, SWH
Total Investment Potential		**1,073,000**	Source: IFC Study on SEF in Pakistan

Rate of electrification in Pakistan

69 mil Off-grid, Unserved

75 mil On-grid, Underserved

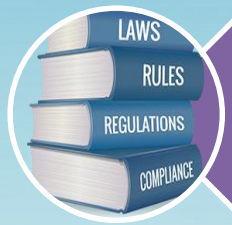
144 mil facing Energy Crisis



53 mil On-grid, Served

Source: Pakistan Off-Grid Lighting Consumer Perceptions Study 2015 by Lighting Pakistan

Role of Central Bank in Promoting Climate Investment



Enabling Regulatory Framework

- *Green Banking Guidelines*

Market Development

- *Credit Guarantee Facility*

Public Financing Mechanism

- *Refinance/Credit Line for Clean Energy*

Awareness & Capacity Building

- Workshops/Seminars/Conferences

Benefits of RE

- Using indigenous natural resources i.e. wind, solar, hydro etc.
- Stable long term costs
- Provides hedge against fossil fuel price fluctuations
- Environment friendly
- Potential for further cost reduction due to technology upgrades

Financing Scheme for Renewable Energy

- Objectives of SBP Facility
- Eligibility
- Features of the Facility
- General Procedures

Financing Scheme for Renewable Energy

- Facility has been revisited in June 2016.

- Objectives:
  - Meeting Growing Electricity Demand through Renewable Energy in the country
  - Promote Green Banking and Climate Investment
  - To provide concessionary financing for renewable energy projects

Financing Scheme for Renewable Energy – Categories

- The Revised Scheme comprises of two Categories (I & II)

- **Category I:** large renewable energy projects ranging from (1 MW to 50 MW). Maximum refinance allowed is Rs 6 billion per project.

- **Category II:** small scale renewable energy solutions (04 KW to 01 MW) to promote renewable energy uptake among domestic, commercial & industrial consumers – in line with NEPRA's net metering regulation.

Financing Scheme for Renewable Energy – Eligibility

- **Eligibility:**
  - Projects falling under category I and category II
  - Subject to Fulfilling of Requirements of:
    - AEDB/ Provincial Energy Dept
    - NEPRA & Government Regulatory authorities
  - Projects achieving financial close before June 2019
  - Refinance provided against 100% of bank lending to projects subject to Rs 6 billion cap.

Financing Scheme for Renewable Energy – Terms

Mark-Up Rates

Rate of Refinance	Banks'/ DFIs' Spread	End Users' Rate
2.0%	4.00%	6.00%

Period of Financing

	Max. tenor	Max. grace period
Category I	12 years	2 years
Category II	10 years	NIL

Financing Scheme for Renewable Energy – Features

Repayments

- **Category I:**
  - Principal repayable in quarterly or half yearly installments
  - Mark-up repayment on quarterly basis
- **Category II:**
  - Principal & Mark-up repayable in monthly or quarterly installments
- Bank/ DFI shall be entitled to charge market mark-up for delayed period in repayment of principal

Financing Scheme for Renewable Energy – Other Features

- Financing available through all Commercial Banks and DFIs
- **Availability of Funding**:
  - **Under Category I:** The banks/ DFIs are required to confirm availability of funds after their internal approvals.
  - SBP confirmation of funds will be valid for a period of six months.
- Financing as per lending policies of FIs to cover credit risk
- Banks to evaluate request with in their lending policies and terms and conditions of SBP Facility in maximum three months
- Financing based on First Come First Served Basis

Financing Scheme for Renewable Energy – Other Features

- Second hand machinery shall not be eligible
- Banks/ DFIs shall ensure that firm commitments of funds not financed under SBP scheme are available
- Banks/ DFIs shall make direct disbursements to manufacturers / suppliers / contractors
- Refinance to be provided on the basis Internal Audit Certificate of financing bank/ DFI

Benefits of Revised Scheme

- Expected to increase investment in Renewable Energy sector
- Will reduce power short fall
- Promotion of RE at consumer level to support NEPRA's Net Metering Regulations
- Environment friendly energy projects reducing impact on climate change
- More incentive for lending banks (higher spread) and end users (low rate)
- Likely to reduce electricity tariff which will increase business activities

Thank you