

NEW FINANCING AVENUES FOR ROOFTOP SOLAR DEVELOPERS/ AGGREGATORS

In its INDC (Intended Nationally Determined Contributions), India has announced that it aims to increase share of installed electric power capacity from non-fossil-fuel-based energy resources by 2030 to 40% and to reduce emission intensity of GDP from 33 to 35% by 2030. Hence the Government has planned to achieve 100 GW from solar power and out of this, 40 GW should come from rooftop solar. The funding requirement for 40 GW of Rooftop PV investments (close to USD 40 billion or Rs 2.68 lacs crore-approx.) will have to come mainly from equity and debt investments. Considering this massive fund requirement, Ministry of New & Renewable Energy has been pursuing various initiatives.

There is a large potential available for generating solar power using unutilized space on rooftops and surplus lands around buildings. Small quantities of power generated by each individual household, industrial building, commercial buildings or any other type of building can be used to partly fulfill the requirement of the building occupants and surplus, if any, can be fed into the grid. So far, 17 States have notified promotion policies. Regulations from the State Electricity Regulatory Commission for net metering/ feed-in-tariff are issued in 26 States/UTs. But due to higher initial costs in system installation for consumers and in demand aggregation for developers, the rooftop segment of solar energy has not made sufficient progress.

While financial subsidy and incentive are available for such projects in residential/ institutional and Government / PSU sectors, no such subsidy is available for commercial and industrial sectors. As there is no subsidy for these sectors, the project developers will be relying on low cost bank loans for developing solar rooftops. Financing from banks/FIs with low interest rates will make the system affordable to these users/project developers. Accordingly, MNRE has been liaising with World Bank, Asian Development Bank, New Development Bank, KfW for concessional loans to solar development through banks/ FIs. With concessional loans based on Sovereign Guarantee, it may be possible to lend loan to the project developers/ borrowers at per the base rate which is at present is 9.3%. This will motivate them to develop such rooftop plants in commercial and industrial sectors at a lower rate Rs. 5.5 to 6.5 /kWh which is cheaper than the diesel gen-set based electricity. Hence to support this segment, Ministry held discussions with international financing agencies, SBI, PNB, Canara Bank and DEA to create required eco-system for the successful implementation.

The proposal for concessional loan from the World Bank, Asian Development Bank, KfW and New Development Bank for solar rooftop plants / projects was thus initiated to support such projects in commercial and industrial sectors. It is now proposed that the implementing banks; viz., State Bank of India, Punjab National Bank and Canara Bank would seek concessional loans against Sovereign Guarantee from the World Bank, Asian Development Bank, KfW and New Development Bank respectively. To support the rooftop solar projects in commercial and industrial sectors, Ministry of New & Renewable Energy would provide Guarantee fee for Sovereign Guarantee for such loans. The estimated multilateral loans would be about USD 1370 Million (Approx. 9316 crore). Recently the Board of Directors of World Bank has approved the proposal. Similarly, strong progress has been made in proposals for concessional loans from Asian Development Bank and New Development Bank.