

CENTRE LOOKS AT LEVERAGING IIFCL CREDIT LINE FOR GREEN ENERGY

JANUARY 13, 2015

MINT

RENEWABLE ENERGY PROJECTS

Centre looks at leveraging IIFCL credit line for green energy

This move by renewable energy ministry could help lower borrowing costs for solar and wind power companies

BY UTPAL BHASKAR
utpal.bhaskar@mint.com

NPG DPH

The central government is hoping to use part of a \$5 billion (₹31,075 crore) line of credit to promote renewable energy projects, a move which could help bring down borrowing costs for solar and wind power companies.

The credit facility was extended by the Reserve Bank of India (RBI) to state-owned India Infrastructure Finance Co. Ltd (IIFCL) from its foreign exchange reserves.

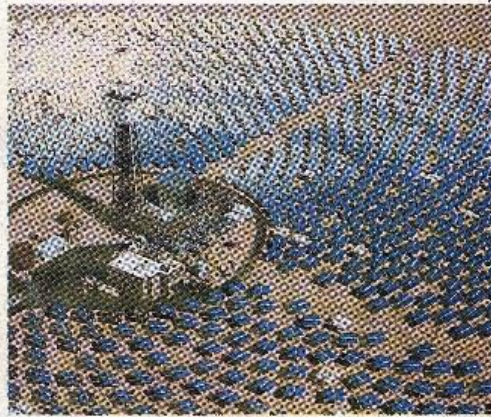
The Union ministry of new and renewable energy (MNRE), which hopes to leverage the credit facility, has already communicated its desire to various arms of the government and talks are being held for the same.

India requires around ₹10 trillion of green energy investments, and the industry has been demanding cheaper loans to set up these projects.

"The credit line was extended by RBI to IIFCL for \$5 billion. This line has not been used fully. We want to use this facility for lending to renewable projects such as solar as the interest rate will come down. This, in turn, will attract developers to apply for loans. The talks are on," said a top government official, requesting anonymity as the plan is in its initial stages.

Another government official aware of the plan said, "We are looking at around \$500 million to start with. We are in discussions with various departments for the same." He too declined to be named.

The Bharatiya Janata Party (BJP)-led government has sharply raised an earlier solar energy target of achieving 20,000 megawatts (MW) capacity by 2022 to 100,000MW. A wind



Power costs: India needs ₹10 trillion of green energy investments, and the industry is demanding cheaper loans to set up these projects.

power capacity of 60,000MW is also targeted by then. The government is aware of the funding challenges and plans to float five funds of \$5 billion each, targeted at promoting green energy sources.

"Financial closure is a cog in the speeding wheel for the solar industry today. With current cost of debt in India being prohibitive for viability of projects, developers look for low-cost finance through ECB (external commercial borrowings) or credit facilities, which result in delays and uncertainty in timely project completion. As solar PV (photovoltaic) projects help in fast-paced scale-up in power generation capacity, government can include solar PV projects under priority lending with special interest rates," said C.M. Venugopalan, head of energy division at Bosch Ltd, a renewable energy service solutions provider.

The National Democratic Alliance (NDA) government's renewed focus on green energy comes in the backdrop of the US and China inking a climate change deal under which the US will reduce its emissions by 26-28% below its 2005 level by 2025 and China will reach the peak of its harmful carbon diox-

ide emissions in around 2030.

Queries emailed to spokespersons of the MNRE and IIFCL remained unanswered till press time.

"In April 2008, IIFCL set up its wholly owned subsidiary at London with the objective of lending in foreign currency to Indian companies implementing infrastructure projects in the country specifically for import of capital equipment. The Reserve Bank of India (RBI) has extended line of credit of \$5 billion from foreign exchange reserves for the same. Out of which till 31 March 2014, IIFC (UK) has raised \$1,181 million. During 2013-14, IIFC (UK) made gross sanctions of \$1,387.73 million taking cumulative gross sanctions to \$6.75 billion. Till 31 March 2014, IIFC (UK) has made cumulative disbursements of \$1,082.66 million (\$1,236.93 million including outstanding Letter of Comfort of \$154.26 million)," said IIFCL in its annual report for 2013-14.

The BJP had made energy security a key part of its general election campaign. The government's strategy to focus on renewables also stems from the fact that India has an energy import bill of around \$150 billion, which is expected to reach \$300 billion by 2030. India

imports 80% of its crude oil and 18% of its natural gas requirements.

As of 10 January, India's forex reserves were at \$319 billion which is expected to go up with the sharp fall in crude oil prices.

Piyush Goyal, the Union minister for power, coal, new and renewable energy, has said that the government will play the role of a facilitator for the renewable energy sector.

The industry has welcomed the MNRE's move.

"Funding is a crucial aspect of promoting solar energy as the current environment does not give sufficient stability to the sector from a financial point of view. Coupled with policy framework, access to low-cost funding will go a long way in accelerating solarization of India. Additionally, as the industry is working towards the 100GW target, substantive funding and investment will be key to how effectively and quickly we can achieve this target. Critical is the way in which these funds will be made available and how easily accessible they will be for setting up energy farms and projects," said Ajay Goel, chief executive officer, Tata Power Solar Systems Ltd.

"While a huge investment is required from both public and private investors to realize this goal, the industry would like to see well in advance a 2-3 year visibility on capacity, off-take and payment security. This will send a strong signal to all the stakeholders and help them prepare to execute the plan," said Inderpreet Wadhwa, founder and chief executive officer, Azure Power, a solar power producer.

In a related development, US-based SunEdison Inc. has signed memorandum of understanding (MoU) with the Karnataka government to set up 5GW of renewable energy over the next five years.

The company on Sunday had announced its plans with Adani Enterprises Ltd to establish a joint venture to build a solar photovoltaic manufacturing facility in India with an investment of around \$4 billion.