

**FICCI White Paper suggests creation of separate window under National Clean Energy Fund to facilitate funds flow to solar energy projects**

NEW DELHI, April 24, 2013. A FICCI White Paper on Reducing the Cost of Finance for Solar Energy Projects through the National Clean Energy Fund (NCEF) has suggested creation of a separate window under the Fund to enable easier access to funds. The White Paper was released this week and submitted to the government for consideration.

The White Paper also suggests innovative models for sharing and distribution of risk and cost of financing through NCEF as the cost of financing from the domestic Financial Institutions is high as also to take care of the hedging cost due to the fluctuation of interest rate and currency exchange rate.

The White Paper has been developed by the FICCI Subgroup on Solar Financing under the aegis of the FICCI Solar Energy Task Force. The FICCI Solar Task Force is chaired by Mr V Saibaba, CEO of Lanco Solar, and the FICCI Subgroup on Solar Financing is chaired by Mr Ardeshir Contractor, MD of Kiran Energy.

The rate of interest in India is between 13-14 per cent, whereas countries like Germany and China have kept it as low as 5-6 per cent and 3-4 per cent, respectively.

Given the challenges faced by the solar industry in India due to the high cost of finance, the government's decision to extend an interest subsidy from the National Clean Energy Fund for enabling lowering the cost of finance for renewable energy projects is a commendable step and will help provide a much needed boost to the renewable energy sector in the country.

FICCI had proposed in its pre-budget memorandum for 2013-14 that concessional finance be channeled through National Clean Energy Fund (NCEF) for renewable energy projects. The low interest bearing funds from National Clean Energy Fund has been FICCI's demand and is a welcome move.

To make the NCEF effective in allocating the interest subsidy as well as to look at other means of reducing the cost of finance for the solar energy sector, the paper suggests making accessibility and disbursement mechanism easy, swift and non-cumbersome. There should not be multiple clearances and multiple authorities/agencies to deal with for the disbursement process. Disbursement should be done through various institutions and agencies.

The paper recommends that the interest subsidy be made available for eligible projects and routed through the lenders to such projects so that borrowers would get lower interest rates for the loans (not a reimbursement) while the lenders directly receive the subsidy. The paper also recommends supporting the hedging costs through NCEF to help lower the cost of finance in the case of loans obtained internationally.

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**About FICCI Solar Energy Task Force**

FICCI Solar Energy Task Force was launched in February 2010, with the launch of Jawaharlal Nehru National Solar Mission (JNNSM) to provide a platform for the solar energy sector to deliberate on policy and regulatory issues and advance interests of the sector at domestic and global platforms. The Task Force is represented by 31 members from the entire value chain of the solar industry including manufacturers, project developers, system integrators, EPC companies, raw material suppliers as well as the certification agencies.

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