

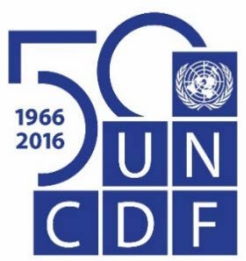
Renewable Energy Financing in Nepal

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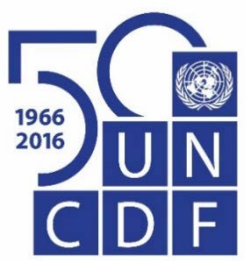
United Nation's Capital Development Fund.





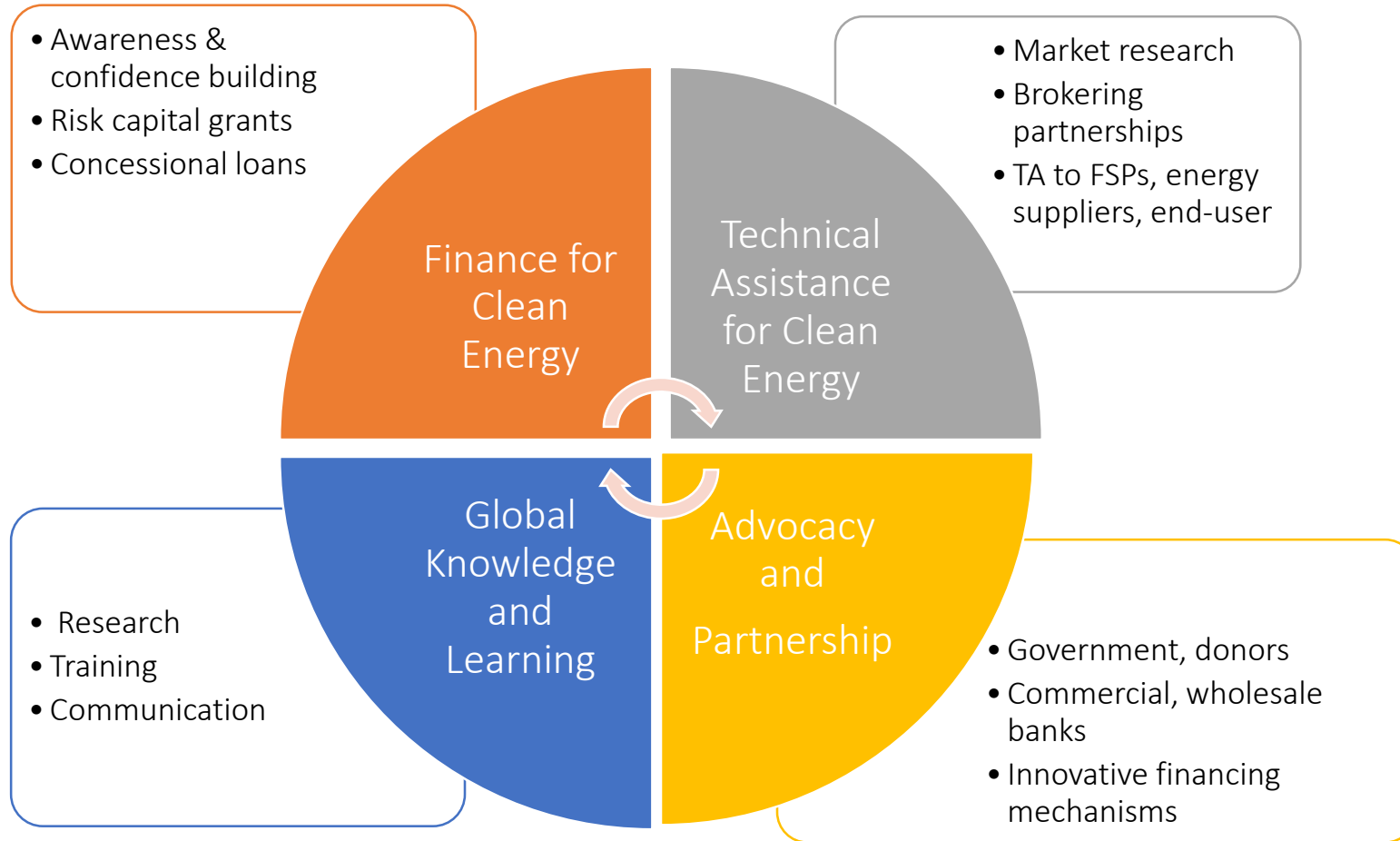
Context

- Around 4 million HH in Nepal are still considered as energy poor
- Government's plan - Clean Cooking and Lighting Solution for All by 2017
- Every district has their own targets for energy access
- Investment in RETs are financially attractive for end users - even without subsidy in many cases specially for households technologies
- Households are looking for appropriate financial products for RETs
- High liquidity in the market, financial institutions are looking for the diversified products for lending
- NRREP/AEPC the flagship renewable energy project has its own targets



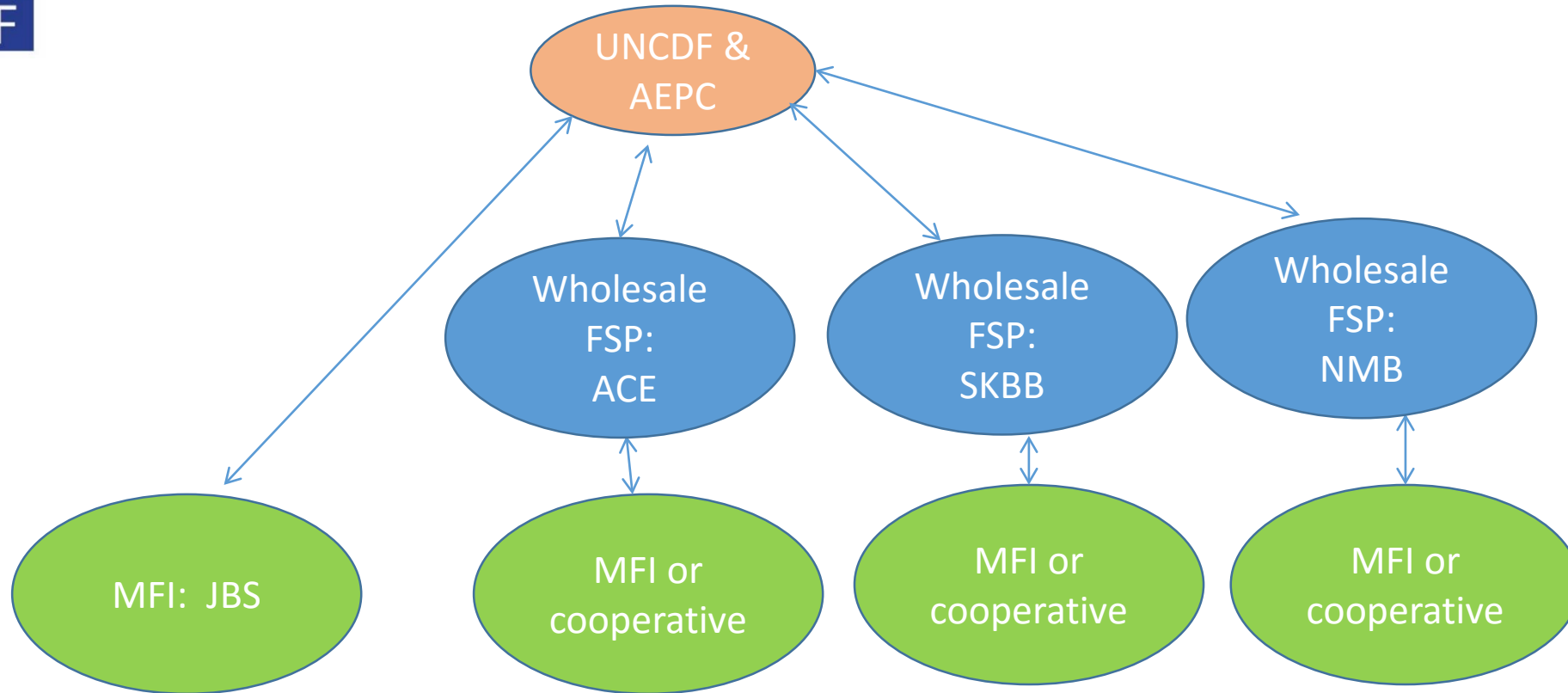
Financing need for RETs installation

- Within the target of NRREP
 - Remaining target of NRREP – 15MW MHP; 1,364 IWM; 220K SHS; 48K Biogas Plants
 - Total investment potential – USD 150 million +
 - Potential for credit – USD 75 million +
- Considering the Clean Cooking and Lighting Solution for all by 2017- Financing need of RET installation would be even higher
- Systems are being installed outside NRREP
- Huge demand exist outside NRREP
 - Solar for back up during load shedding

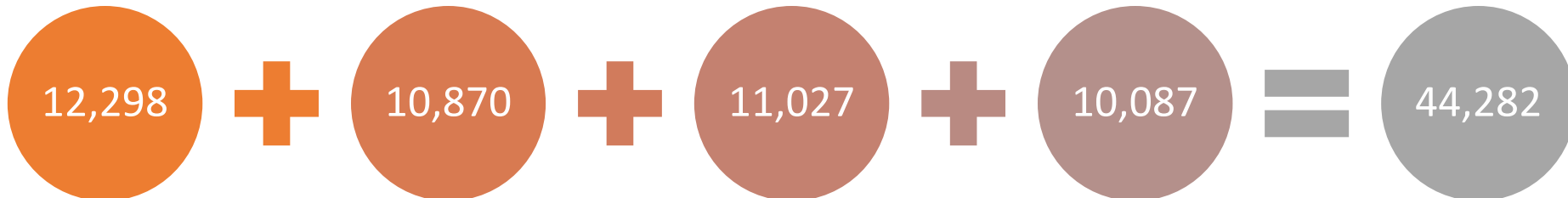


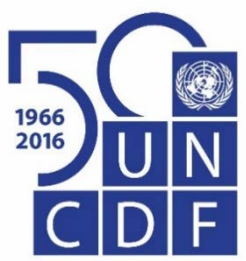
Four Outputs

CleanStart in Nepal



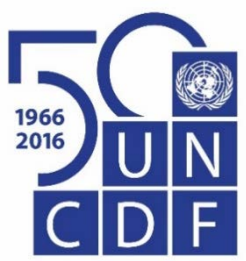
Achievements
as of 2016 Jan





What have we learnt?

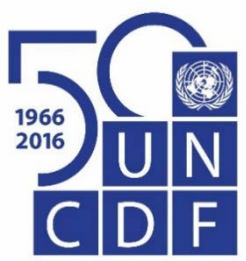
- Most of the RETs (household units) are financially attractive
- Efforts for RET promotion as of now are mostly focused in supply side-very limited efforts are there in demand side
- MFIs can be effective last mile delivery channels for promoting RETs
- Needs some innovative approaches to link last mile delivery channels and CREF
- Source of fund is not only the barrier in energy financing



Issues related to RETs financing

Policy related and strategic

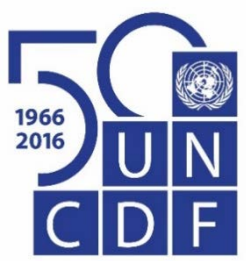
- Goal of creating commercially viable RET sector
 - Is subsidy required for the technologies, which are financially attractive?
 - Are we providing enough room for credit market to grow?
- Revised subsidy policy
 - When can we have the new policy?
 - Parallel initiatives to provide additional subsidy like 50% for urban solar from MOFALD, proposed 90% subsidy for Dalits and Poor in terai, etc
- CREF's assumptions and working approach
 - Source of fund may not the only barrier
 - May need Fund+ approach
 - Incentives to FIs



Issues related to RETs financing

Practical and implementation related

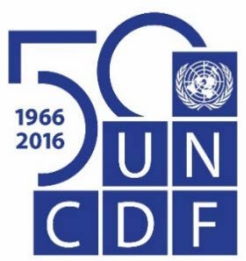
- Conventional demand based support model may not cover the last mile
- Energy enterprises are busy working in their comfort zone – limited efforts for new and innovative models (??)
- High perceived risks of CREF partner banks in extending credits for renewable energy projects
- Awareness and Capacity development services for Local Financial Institutions to access CREF
- Is the existing CREF model sufficient enough?



Way Forward

Looking at CREF through CleanStart Learning

- Revisiting the assumptions in changed context
- Fulfilling CREF commitments (Government +Donors)
- Technical review in the changed context
- Business Planning of CREF



Way Forward

- Specialized awareness/literacy package to create demand
- Innovative approaches like challenge fund, reverse auctioning for last mile coverage
- Best use of last mile delivery channels (LFIs, cooperatives)
- New approaches like pay as you go model, smart metering, linking mini grids to national grids
- Starting with feasible project - Categorizing the community RE projects in terms of bankability

Thank you