



**French Développement Agency**

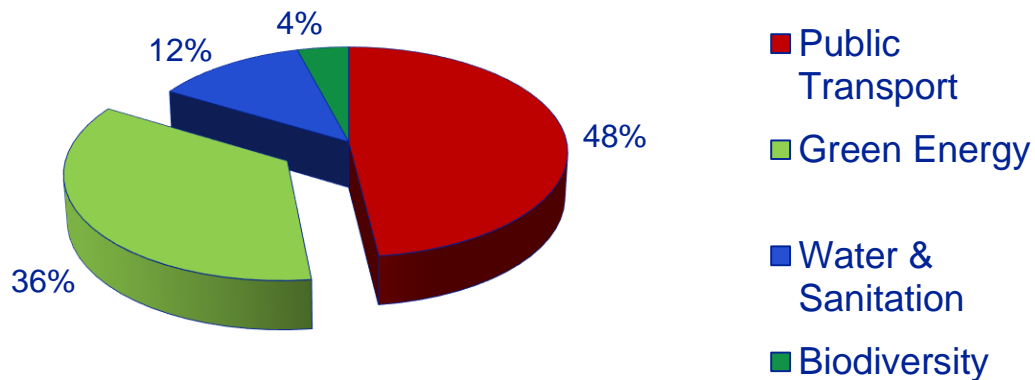
# Strategies and Innovative Financial Instruments for Leveraging Meeting India's Climate Finance Needs

National Conference on “Post-Paris Climate Action”  
July 12<sup>th</sup>, 2016



# AFD Strategy in India

- Global mandate: *green & inclusive growth*.
- Cross-sectoral objectives on:
  - Smart City Mission
  - Promoting French know-how & expertise
  - *Climate Co-benefits*
- Joint commitment during PM's visit to France: **sustainable infrastructure and urban development in India.**



Total AFD commitments since 2010 :  
euros 1,303 million

# How to finance transition from fossil to non-fossil fuels?

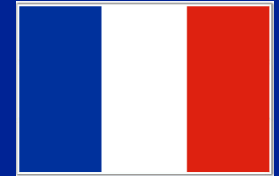
- *It will happen eventually by itself...*
  - Medium & long-term increase of cost of fossil fuels (peak oil)
  - Progressive decrease of cost of renewable energies (e.g. ISA)
- Powerful drivers for improving the energy mix in India. Strong **policy-related incentives** can accelerate and facilitate this process.
- The **private sector** has a crucial role to play, with a proper **regulatory framework** to be put in place.
- **Financial tools**: very useful role of financial institutions like IREDA. AFD has already funded two credit lines to IREDA for a total of 1,200 crore (solar, wind, biomass, small hydropower). Also direct funding of PSUs (like HPPCL for hydropower, 500 cr.).
- **New financial tools** to be developed: de-risking mechanisms (e.g. energy-saving insurance, partial guarantees for SMEs).
- **Different renewable energies**: complementary & additional, not in competition.

# How to finance Energy Efficiency?

- *EE mainly at small & medium scale, with Municipalities, SMEs and HHs.*
- To address their needs, **financial intermediation** through credit lines is very useful.
  - ❑ SIDBI for SMEs (350 cr. funding from AFD)
  - ❑ NHB for EE in social housing (700 cr.)
  - ❑ EESL for street lighting & HH (350 cr.)
- Possibility of **mixing grants and loans** in order to facilitate EE.
  - ❑ Example of NHB: additional 12 MEUR (90 cr.) grant delegated from EU in order (i) to partly subsidize loans to final beneficiaries respecting agreed Indian standards on building EE (GRIHA); and (ii) to build capacity and realizing EE audits.
- Possibility of supporting **Smart Grids systems** (linked to Smart City Mission), to better integrate rooftop solar and bringing efficiency & resilience to the urban grids.

# How to synergize funds?

- *Many funds available – public, private, ODA.*
- To facilitate the use of these funds, a strong **political impetus** already exists.
  - ❑ COP21 & NDC: strong commitment to progressively decarbonize the economy,
  - ❑ Obligation of purchase of solar power by Discoms from 3% to 8%,
  - ❑ ISA, National Solar Mission, National Smart Grid Mission, etc.
- Need to **open new perspectives. Some examples :**
  - ❑ Smart Grids,
  - ❑ New offshore wind power policy,
  - ❑ Concentrated Solar Power?
  - ❑ Pump-Storage Plants?
- Need for a **strengthened regulatory framework**
  - ❑ E.g.: signature of PPA before beginning of construction, to improve financial security for IPPs.



**Thank you for your attention**

AFD Regional Office in Delhi  
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