

PROTOTYPE – FACT SHEET

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WG: 3-PROMOTING SUSTAINABLE BANKING REGULATION
TO CATALYZE PRIVATE CLIMATE INVESTMENTS

ORGANIZATION: STATE BANK OF PAKISTAN

Title

Refinance Scheme for financing clean energy solutions

Mission statement

Promoting affordable financing for clean energy solutions

Briefly describe your prototype idea

With the development of smart grids, the business strategies of energy distribution companies are changing from one way suppliers of energy to a two way distribution systems for channeling excess energy supply from one client to the other with need for extra energy. The development of regulatory frameworks such as net metering and technological improvements clean energy generation (particularly solar energy generation) and energy storage equipments has further accelerated public participation in energy generation. The situation provides an excellent opportunity for development of a whole sale funding facility to encourage the banks/DFIs to lend for purchase of clean energy based small solutions.

Under this prototype, we look forward to explore opportunities of merging successful Pay-as-you-go models to develop a new financing facility which has efficient mechanism for origination of new clients and subsequent monitoring of loan portfolios through GSM based chips with facility of remote turn-off of systems of delinquent borrowers. The model envisions to facilitate replacement of expensive fossil fuel based household energy solutions with less expensive clean energy based alternatives in off-grid areas and diverting investments in clean energy generation in affluent on-grid areas. The facility will also help to develop market for reliable clean energy equipments. Although the facility will primarily focus on solar based solution, it does to preclude possibility of financing the equipments based on sources of clean energy.

Target group

Rural populations in the sub-urban off-grid areas and potential borrowers in affluent on-grid areas



Potential partner(s) for implementation

Whole sale fund providers
Suppliers/ manufacturers of Clean Energy based solutions
Energy distribution companies
Participating Financial institutions

Key challenges and opportunities

Challenges

Reluctance of distribution companies to implement the proposed facility as it works as a challenge to their business and requires up-gradation of their set-ups.

Availability of an efficient market for reliable clean energy based solutions. Weaknesses in the suppliers/ manufacturers.

Reluctance of population in off-grid areas to accept new solutions as alternatives to their existing conventional fossil fuel based energy solutions

Opportunities

Excellent opportunity to change the energy distribution market for good.

Reducing carbon footprints of households and commercial enterprises. Rather, households and commercial plazas/ enterprises work as sources for clean energy

Opening an avenue of Business opportunity for banks/ DFIs and helping them to have inroads to the rural areas.

Next steps

Studying the international best practices for similar facilities in other countries.

Preparing strategic framework of role model facility for implementation.

Discussing feature of the facility with key suppliers of energy equipments, distribution companies and financial institutions to improve the structure of the facility.

Preparing feasibility study to assess market demand and profitability potential of proposed facility