



PFAN
Accelerating Investment
for Climate and Clean Energy

Financing Climate and Clean Energy Projects

A webinar organized by PFAN and RECON

| Friday October 2, 2020 | 3:30 PM to 5:00 PM NST |

Financing Climate and Clean Energy Projects: *Requirements of Commercial versus Energy Access Projects*

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Requirements of Commercial Project Financing

- Manageable risks and uncertainty
 - Predictable
 - Natural Resource/Raw Materials
 - Fund-flows (PPA, Cost streams - CAPEX/OPEX)
 - Well defined business rules
 - Matured regulatory institutions
 - Central Bank
 - Regulatory Commission
 - Rule of law prevails
 - Minimal free-riders
 - Public good elements
 - Rent seeking

Requirements of Commercial Project Financing

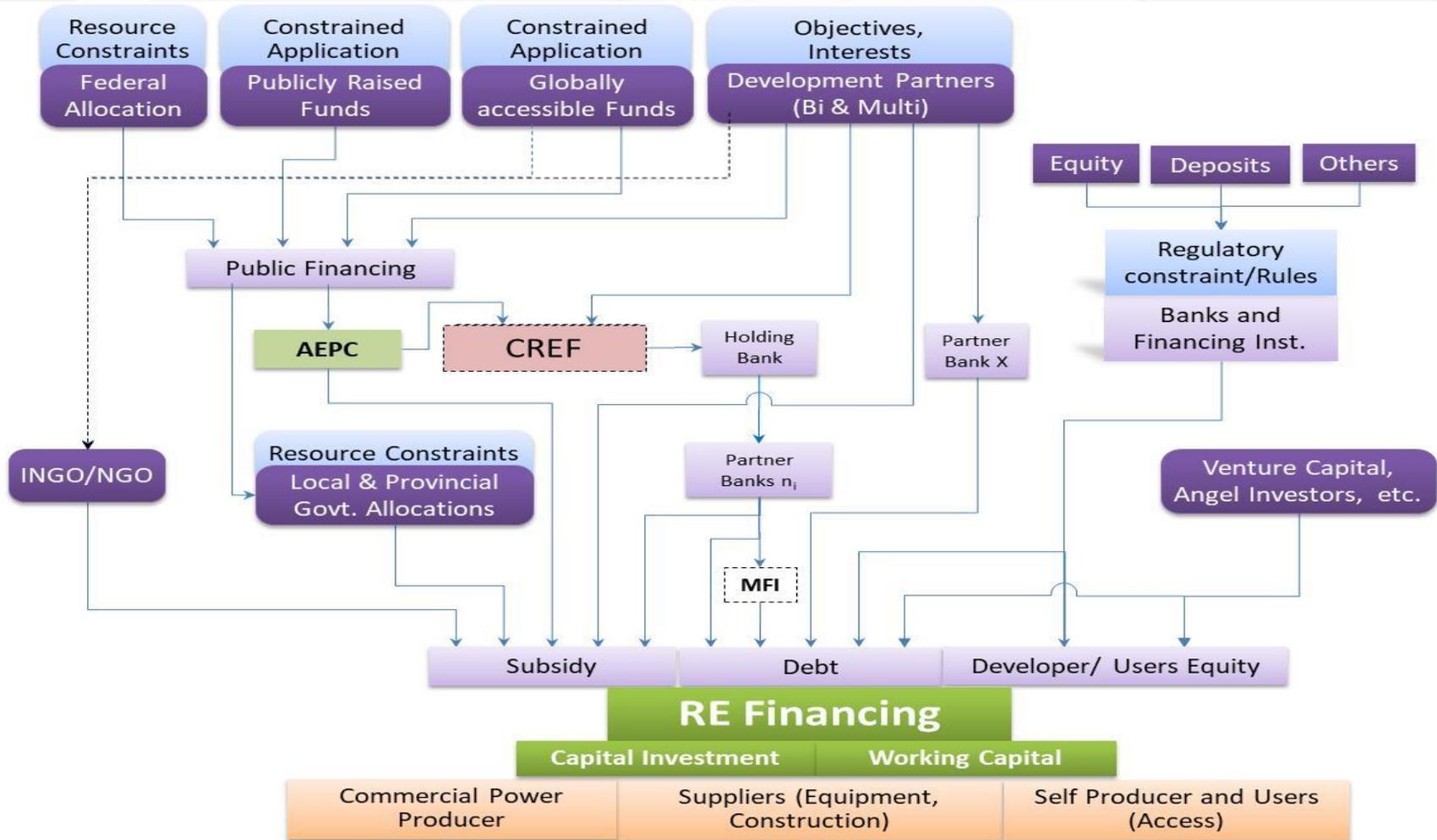
- Fund availability with financing institutions
 - Internal fund mobilization: e.g., Power bond
 - External funds, e.g., FDI in equity and debt
- Financing/Economic Environment
 - Market for produce (energy and other environmental services)
 - Willingness to pay the price
 - Labour market
 - Absorption capacity of economy
 - Trend/Projection
- Socio-political environment

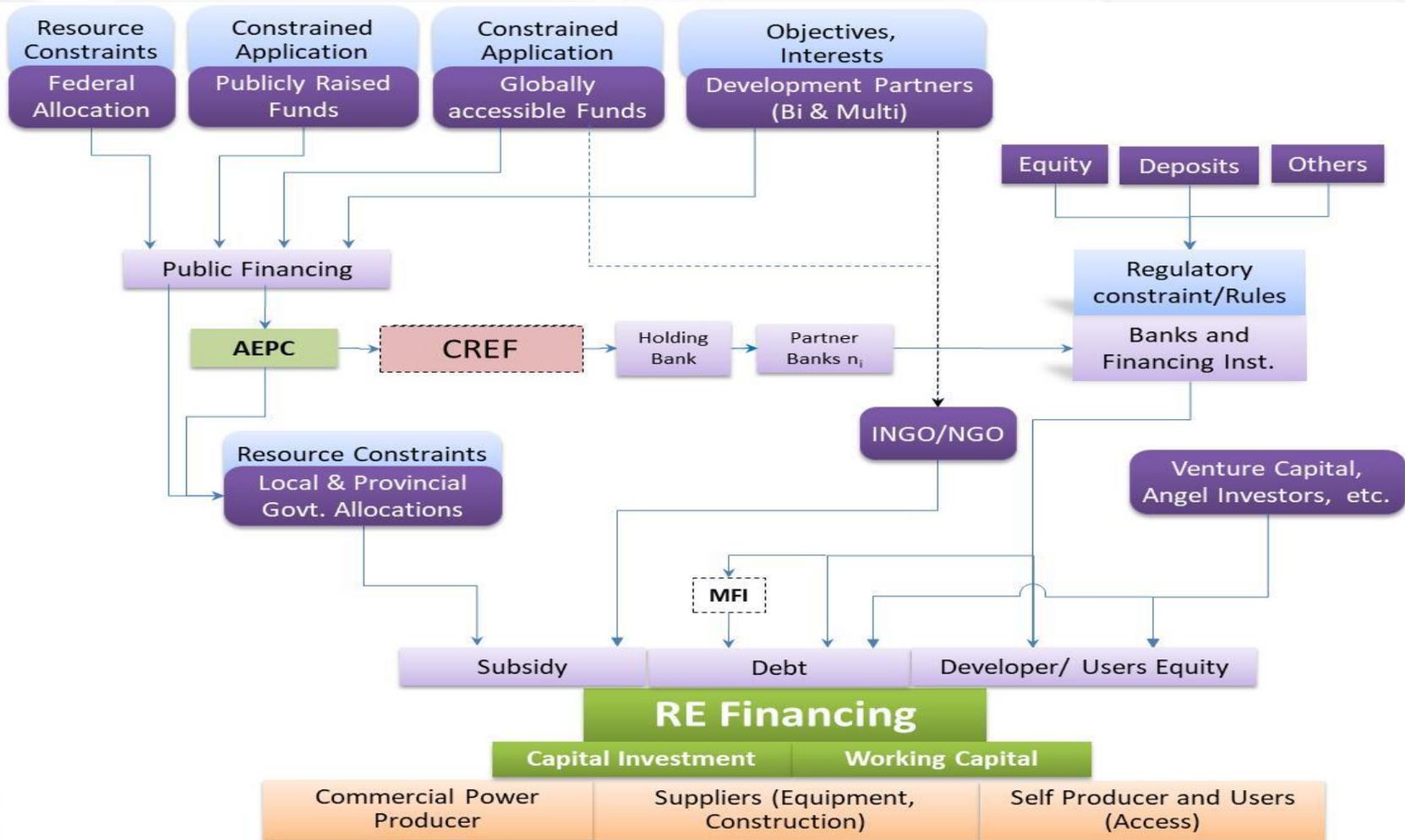
Energy Access Projects: Features

- Small market
 - Lacks economy of scale resulting high per unit costs
 - Local after-sales/ service usually costly
 - Customers affordability and willingness to pay the price
 - Non-monetized benefits
 - Under-utilized installed capacity
- Access to infrastructure, e.g., road, finance, etc.
- Dominant free-riders
 - Public good elements
 - Rent seeking

Results

- Access related projects are dependent on financial reliefs like tax benefits and subsidies to make them financially viable at least in the short run.
 - Access projects are supported by the state and donors (TA and Subsidy)
 - Negative implications are,
 - Supports do not meet the needs
 - Stifles market growth
 - Playground for rent seekers
 - Free-rider problem (needy not getting support)
 - Addressing these issues results in complicated institutional arrangements with multitude of agendas being rolled
- [Following diagram shows Nepal's RE financing institutional mechanism followed by possibility to streamline many of complexities]





Way forward with PFAN

- PFAN can address some of the issues both in commercial as well as access related project in terms of
 - Bring in international experiences
 - Capacitating and assisting project developers in preparing project documents (bankable/financeable)
 - Identifying project financiers within and outside the country for Debt as well as Equity
 - Link / coordinate project developers and financiers and other technical input providers



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Thank you

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