

# Accelerating Sustainable Energy Transitions: Directors Strategy & Directions



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First of all, I thank the organisers for giving me this opportunity to speak during the 2nd Edition of “Directors' Dialogue Series”, 2020. I understand that distinguished Policy Makers, Government Representatives, Clean Energy Investors & Developers are present here along with other eminent speakers. I believe that the discussion on “Accelerating Sustainable Energy transition” would help in exploring strategies and ways to speed up transition towards Renewable and other clean energy technologies.

The national RE target of 175 GW, has ensured humongous growth never seen before in the field of RE in the entire country, creating massive opportunities viz. investment, credit growth, manufacturing, employment etc. The

Hon'ble Prime Minister of India in his address to Climate Action Summit stated that “India's renewable energy capacity would be increased to much beyond 175 GW, and later till 450 GW” by 2030. This makes India a key country for global energy transition, as we can act as a pioneer by leapfrogging to a new paradigm of development and industrialization. Accelerating sustainable energy transitions away from carbon-based fuel sources is key in achieving climate mitigation promises and sustainable energy development objectives and India is poised well to achieve this objective.

It is worth to note that the all India installed power generation capacity, as on November 2020 is more than 374 GW, out of which, renewables accounts

for about 90.4 GW (more than 24%). The Wind & Solar constitutes about 38.4 & 36.9 GW, respectively. Globally India is ranked 3rd in terms of installed RE capacity, 4th in terms of installed Wind energy capacity & 5th in terms of solar power installed capacity. The installed renewable energy capacity has increased at a CAGR of over 17% in last 5 years. As a matter of fact, India is now self-sufficient in manufacturing technologies in the field of bioenergy, small hydro & wind energy. Government is taking initiatives to ensure that we become self-sufficient in solar energy manufacturing in line with the Hon'ble Prime Minister's vision for Atma Nirbhar Bharat. The initiatives have created big job opportunity in the manufacturing sector in addition to technological self-

reliance.

If we talk about the growth story of Indian RE Sector, Initially, India's focus was mainly on decentralized and small systems as the technology has evolved along with huge reduction in capital costs and cost of generation over the years, we have now moved from kW size to MW and GW size Projects and it has become possible to achieve grid parity. It is estimated that RE Sector is providing employment to the tune of more than 5 Lakhs direct and 50 Lakhs in direct manner and bulk of these jobs have come up in rural & semi-urban areas as more than 90% of RE projects have come up in rural areas, propping up the rural economy.

To foster Energy Transition towards RE, government has taken various measures such as Permitting Foreign Direct Investment (FDI) up to 100 percent under the automatic route, Model PPAs, O&M Contracts, Standard Bidding Guidelines etc., Letter of Credit (LC) as payment security for ensuring timely payments to RE generators, Launching of "Ultra Mega RE Parks (UMREPs)" scheme on plug and play model, Waiver of Inter State Transmission System (ISTS) charges, Long term Trajectory for Renewable Purchase Obligation (RPO), "Green Energy Corridor" for evacuation of RE Power, Dedicated Schemes for Solarization of Farm Sector, Agricultural Pumps etc. All the above factors have paved the way for several global funds who have either invested into the sector or are in advanced stages of decision making. The Investment trends in Indian RE Sector during last 5 years are in the range of USD 9-10 Bn.

Recently Covid-19 crisis has disrupted the flow of Business and has also highlighted the importance of developing more resilient and sustainable energy systems that are capable of withstanding future shocks and improving the health and well-being of citizens. Covid-19 had caused power

demand to fall by 28% up to the end of March 2020, which in turn affected revenues of Discoms. However, the situation is back to the normal as India's electricity demand surged to all-time high of 185.82 GW on 20th January 2021.

We have taken several initiatives during pandemic situation, such as rolling out new products to cater to market needs and to tide over liquidity issues caused by the pandemic such as Top-up Loan, scheme for moratorium of term loan's Instalments for a period not more than six months, policies for resolution of COVID - 19 related Stress and for deferment of Interest Instalments and

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shifting of repayment schedule including residual tenor of term loans under COVID-19. Govt has supported the sector with several measures such as Time extension for completion of RE Projects, Relief package of Rs. 90,000 Crores, to Discoms to clear pending dues of generators, Emergency Credit Line Guarantee Scheme (ECLGS) etc.

IREDA has also taken several other initiatives which would enhance the growth of the company and RE sector as a whole, as Company does not endeavor to make profit only, but to work in the larger interest of the RE sector as the mother organization. We have revised lending interest rate (effective from 1st December 2020) across all sectors. Presently, the company's lending rates

are lower as compared to its peers in the range of 9.70% - 11.65%. We are handling VGF based bidding under CPSU scheme on behalf of Govt. We have executed MoUs with NHPC and SJVN for providing them consultancy on RE Projects. We are under process to set up a debt fund (Fund) in the form of an AIF to tap large Institutional Investors who otherwise didn't have a platform to participate in RE Financing at project level. AIF will also help IREDA in financing new projects of those borrowers who are nearing the exposure limit. The company is also planning to do asset-based securitization (ABS) by issuance of pass through certificates.

To boost our equity base, we requested the Government of India for equity infusion of Rs. 1500 crores and we are also planning to raise PDI to the tune of Rs. 500 crores (approx.). In addition, we would come up with IPO issue shortly, which will enable enough space in the exposure for our existing borrowers as well as new borrowers planning to encash the good business opportunity in the RE Sector.

To conclude I want to add that the scale of the financing needed to realize the aspirational goal of transitioning to clean energy requires the infusion of significant finance at more attractive terms and therefore, calls for concerted efforts of stakeholders and supportive policy framework that must address the investment risks perceived by financiers and developers.

Thank you. ■

\* Excerpts from the '**Special Address**' delivered by **Mr. Pradip Kumar Das**, Chairman and Managing Director, Indian Renewable Energy Development Agency Ltd. (IREDA), at IOD's 'Directors' Dialogue Series' Edition #2 with a special focus on the Power, New & Renewable Energy sector, held virtually on January 21, 2021.