

US\$300 Million World Bank Operation to Help Scale Up India's Energy Efficiency Program

The World Bank Board of Executive Directors approved a US\$220 million loan and an \$80 million guarantee for the India Energy Efficiency Scale-Up Program. The Program, to be implemented by the Energy Efficiency Services Limited (EESL), will help scale up the deployment of energy saving measures in residential and public sectors, strengthen EESL's institutional capacity, and enhance its access to commercial financing.

India's climate change commitments to reduce carbon intensity by 33-35 percent by 2030 from 2005 level will require a significant focus on energy efficiency improvements. **The investments under the Program are expected to avoid lifetime greenhouse gas emissions of 170 million tons of CO₂, and contribute to avoiding an estimated 10 GW of additional generation capacity.** This would be over 50 percent of the National Mission for Enhanced Energy Efficiency target of 19.6 GW indicated in India's Nationally Determined Contributions (NDCs) under the Paris Accord.

The key components of the operation include: creating sustainable markets for LED lights and energy efficient ceiling fans; facilitating well-structured and scalable investments in public street lighting; developing sustainable business models for emerging market segments such as super-efficient air conditioning and agricultural water pumping systems; and strengthening the institutional capacity of EESL. Moreover, the Program will help to increase private sector participation in energy efficiency, including through private sector energy service companies.

Under the Program, EESL will deploy 219 million LED bulbs and tube lights, 5.8 million ceiling fans, and 7.2 million street lights, which will be supplied by private sector manufacturers and suppliers. As an integral part of the operation, the first-ever IBRD guarantee in India will help EESL access new markets for commercial financing in line with the Bank's approach of maximizing finance for development. **The guarantee is expected to leverage some \$200 million in additional financing,** to help EESL with its growing portfolio and future investment needs.

Demand for energy end-use appliances and equipment like lighting, ceiling fans, air conditioners, refrigerators, agricultural pumps, and industrial motors is projected to grow significantly in India. So far, through the "Unnat Jyoti by Affordable LEDs for All" (UJALA) program, EESL has already deployed more than 295 million LED bulbs, resulting in avoiding over 7,500 MW of new electricity generation capacity and bringing a significant drop in retail prices of high quality LED lightbulbs.

The **India Energy Efficiency Scale-Up Program** will help EESL expand UJALA's deployment of efficient ceiling fans, LED street lights and LED

tube lights, along with its already-successful LED bulbs procurement and distribution. Under the Street Lighting National Program (SLNP) of EESL which has installed over 5.8 million LED street lights in three years across more than 500 municipalities, EESL enters into long-term annuity agreements with municipalities to retrofit existing streetlights with LED lamps and fixtures, and maintain them for up to seven years. The entire investment is made upfront by EESL and recovered from the energy savings of municipalities/cities. To realize the street lighting program's full market potential and its growing program, EESL will leverage the capacity and resources of the private energy service companies (ESCOs) to a wider range of commercial financing sources.

The **\$220 million loan**, from the International Bank for Reconstruction and Development (IBRD) to EESL, has a 5-year grace period, and a maturity of 19 years. The **\$80 million IBRD guarantee** will partially cover re-payment risks to commercial lenders or investors, to enable EESL to raise funds for its program.

Please contact for any query related to this mail to Ms. Kriti Khurana, Research Associate at kriti.khurana@phdcci.in with a cc to Dr. S P Sharma, Chief Economist at spsharma@phdcci.in and Ms. Megha Kaul, Associate Economist, megha@phdcci.in, PHD Chamber of Commerce & Industry.

Warm regards,

Dr. S P Sharma
Chief Economist

PHD Chamber of Commerce and Industry
PHD House, 4/2 Siri Institutional Area
August Kranti Marg, New Delhi-110016
Ph.: + 91-11-26863801-04, 49545454
Fax: +91- 26855450, 49545451
Email: spsharma@phdcci.in
Website: www.phdcci.in

"We Walk Our Talk"

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400
Fax : +91-11-2685 5450 • E-mail : research@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947

Connect with us:



