

Government of India and World Bank sign \$300 Million Agreement to Help Scale Up India's Energy Efficiency Program

New Delhi, August 28, 2018 – The Government of India, the [Energy Efficiency Services Limited \(EESL\)](#), and the World Bank today signed a \$220 million Loan Agreement and a \$80 million Guarantee Agreement for the [India Energy Efficiency Scale-Up Program](#). The Program, to be implemented by 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.

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 Program will help tackle the financing, awareness, technical and capacity barriers faced by new energy efficiency programs and support the UJALA and SLNP programs of the Government of India," said **Sameer Kumar Khare**, Joint Secretary, Department of Economic Affairs, Ministry of Finance. *"This is one of the several steps being taken by the Government of India to meet its climate change commitments to reduce carbon intensity by 33-35 percent by 2030,"* he added.

The agreements for the Project was signed by **Sameer Kumar Khare**, Joint Secretary, Department of Economic Affairs, Ministry of Finance, on behalf of the Government of India; **S Gopal**, Chief General Manager (Finance) EESL on behalf of EESL, and **Hisham Abdo**, Acting Country Director, World Bank India, on behalf of the World Bank.

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.

Commenting on the agreement, Saurabh Kumar, Managing Director, Energy Efficiency Services Limited said: *"We are delighted to receive financing for the India Energy Efficiency Scale-up Program. EESL has already achieved measurable progress in initiating the transformation of India's energy efficiency landscape with our globally-renowned UJALA and LED street lighting programs, but a lot more can, and needs to be, done in order to enable India to achieve its development and climate change objectives. This program provides us a valuable opportunity to build upon our past efforts while providing necessary*

impetus for replicating and magnifying our success across India with other energy efficiency technologies and programs, and with other ESCOs and stakeholders across the spectrum.”

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.

“This energy efficiency Program for Results will help India meet its NDC commitments and move further towards a more resource-efficient growth path,” said **Hisham Abdo**, Acting World Bank Country Director in India. *“The additional guarantee from the World Bank will support EESL to access new sources of commercial funding, diversify its investor base, and establish a track record for future access to financial markets,”* **he** added.

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 307 million LED bulbs, resulting in avoiding over 8,003 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 Light National Program \(SLNP\)](#) of EESL which has installed over 6.5 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.

“India’s energy efficiency market, estimated to be over \$12 billion per year, continues to face implementation barriers, particularly in the residential and public sectors, which have some of the largest untapped potential for energy efficiency improvements. Building upon its experience of UJALA and SLNP, EESL is now expanding its initiatives to other energy efficiency measures,” said **Ashok Sarkar**, Senior Energy Specialist and World Bank’s Task Team Leader for the Program. *“The financing under the India Energy Efficiency Scale-Up Program will not only help EESL to continue achieving the results under its existing initiatives but also strengthen its institutional capacity and ability to meet its future expanding needs by leveraging private ESCO industry and increased access to a wider range of external commercial financing sources,”* **he** added.

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.

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