



# The Energy Efficiency Enhancement Project Asian Development Bank TA No. 3885-IND

Presentation to Financial Institutions  
31 March 2003



Charles River Associates (Asia Pacific) Pty Ltd  
Level 31  
570 Bourke Street  
Melbourne Victoria 3000

03 9606 2800  
[www.crai.com.au](http://www.crai.com.au)

- There is significant opportunity for cost effective energy efficiency improvement in India's industrial, commercial and municipal sectors
- Energy services companies (ESCOs) offer a promising, private sector mechanism for capitalising on these opportunities on a sustainable basis, and
- Most of the necessary conditions are already in place for a vibrant ESCO industry in India

But, only a few ESCOs have been established in India, and very little ESCO activity has actually taken place



## Project Objectives

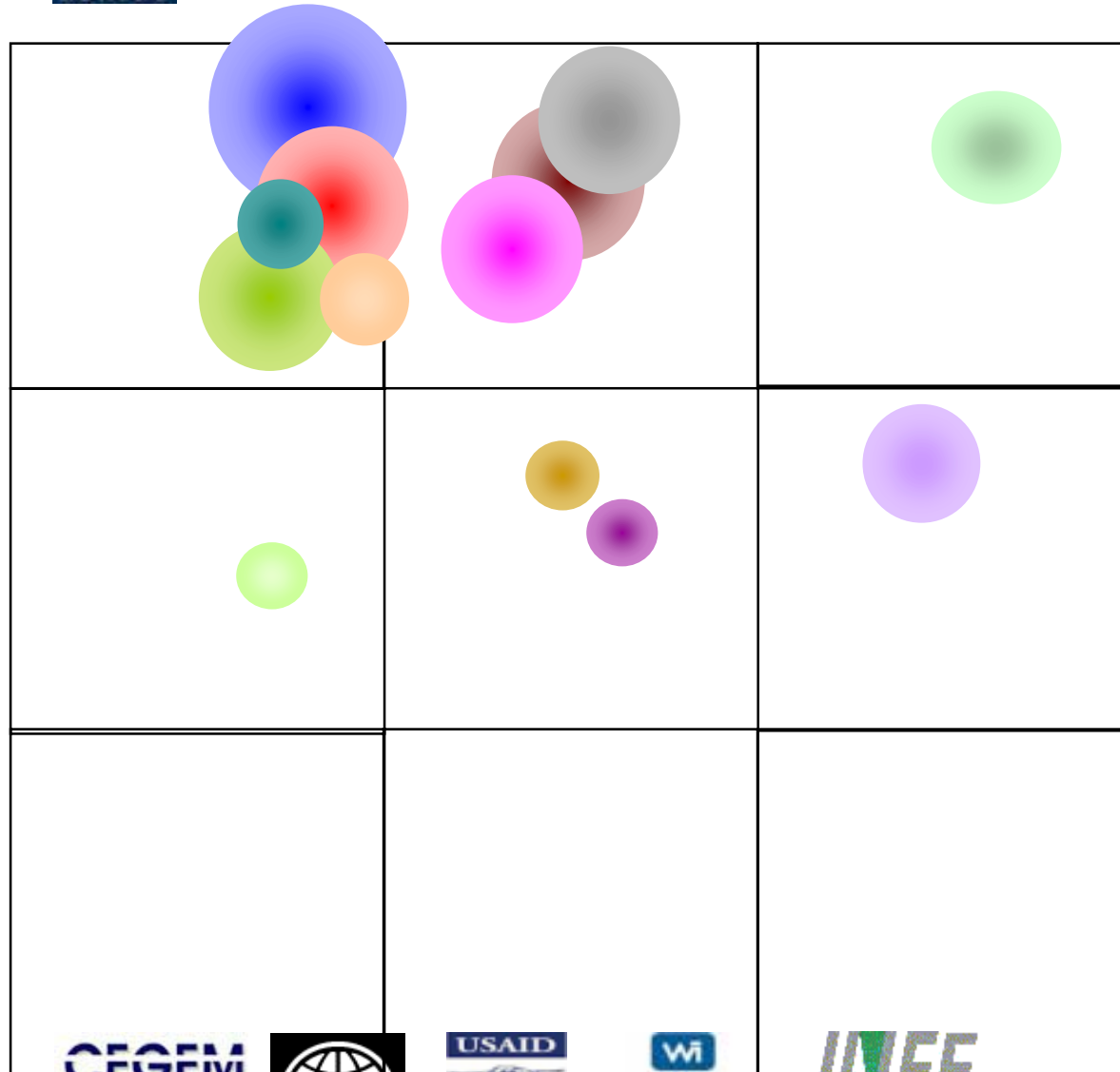
To contribute to the development of a viable and sustainable private sector market for energy efficiency by:

- Developing innovative financial products that enable cost-effective energy efficiency opportunities to be funded
- Identifying the appropriate Executing Agency and financial intermediaries with distribution channels for delivering these financial products to the target markets
- Developing 10-12 bankable energy efficiency projects and provide an initial pipeline of projects for the anticipated ADB follow-on loan





# Market Assessment



Industry	Investments mn Rs
Cement	20,079.07
Finished steel	9,816.40
Refinery	8,712.36
Cotton & blended yarn	8,484.20
Paper	7,379.87
Nitrogenous fertilisers	6,770.19
Diversified	4,220.28
Aluminium	3,698.11
Other fertilisers	2,734.10
Synthetic yarn	2,145.48
Thermoplastics	2,029.28
Glass & glassware	1,842.03
Drugs & pharmaceuticals	1,693.34
Caustic soda	1,514.60
Other organic chemicals	1,045.66
Inorganic chemicals	665.64
Ceramic tiles	630.80
Industrial gases	528.44
Pesticides	514.04
Textile processing	402.70
Soda ash	361.42
Liquors & Beer	456.02
Dairy products	348.76
Sugar	283.36
Misc. textiles	177.30
Synthetic fabrics	149.20
Starches	122.88





## Expected Outcomes

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### *Near term*

- A set of new financial products
- Investment grade projects across a number of sectors, states and ESCOs
- Pipeline of projects that can be elevated to investment quality
- Demonstration of adequacy of market demand for the ADB loan

### *Longer term*

- Involvement of private sector Financial Institutions in funding ESCOs and energy efficiency projects
- A strengthened ESCO industry
- Greater awareness among end-use customers and private sector FIs of the role and benefits of ESCOs





# ESCO Financing Needs



## Equity

- Meeting Development Expenditures
- Financing a part of project Cost
- Sponsor support under Risk Sharing

## Debt

- Project Cost
- Working Capital





## Potential Financial Products

### *Issues*

- Credit enhancement of the borrower
- Securitisation of the project
- Reduction of financing transaction costs

### *Principles*

- Customised solutions for different segments
- A credit program approach if feasible for some segments
- Risk sharing leading to leveraging
- Refinancing through Capital Markets

### *Products*

- Equity fund
- Partial credit guarantees
- Loan Guarantee Fund
- Direct lending with partial risk guarantees





## Project Tasks

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- Identification of target markets
- Development of potential financial products
- Consultative Workshop with FIs, ESCOs, hosts, others
- Identification of loan Executing Agency and other financial institutions for channelling funds to projects
- Finalisation of financial products
- Development of bankable projects and project pipeline

Project completion – September 2003

