

The India Innovation Lab for Green Finance



The Government of India has made it a national priority to drive development and access to electricity through cleaner growth, such as renewable energy and energy efficiency, including through an ambitious target of 40% of its electricity generation capacity from non-fossil fuel sources by 2030.

However, India will need more capital, and at more attractive terms, in order to build the green infrastructure required. Increasing investment from the private sector will be essential to driving the country's infrastructure growth. Currently, high risks and other poor terms of financing may be limiting investment potential in India.

The India Innovation Lab for Green Finance has been developed in response to this need for better investment vehicles. The India Lab, launched in November 2015, is a public-private initiative that identifies, develops, and accelerates innovative solutions to finance infrastructure for renewable energy and other channels for green growth.

It is a first-of-its-kind initiative that aims to provide concrete solutions to the unique financing challenges to investment in green infrastructure in India. By addressing investors' needs, it can unlock billions of dollars of private investment for clean growth in India.

PARTNERS AND FUNDERS

The Indian Ministry of New and Renewable Energy has endorsed the India Lab and is a key stakeholder. The India Lab is hosted and funded by Shakti Sustainable Energy Foundation, with additional funding from the David and Lucille Packard Foundation, the UK Department for International Development (DFID) and the Oak Foundation. Climate Policy Initiative's team in India serves as the Lab Secretariat and provides analytical support.

The India Lab draws on the guidance of its Lab Members, with deep expertise in the political, financial, and technical facets of clean growth. It is a sister initiative of the **Global Innovation Lab for Climate Finance**.



2015-2016 PILOTED INSTRUMENTS

The Rooftop Solar Private Sector Financing Facility drives capital at a lower cost of financing for developers of rooftop solar projects, by providing long term debt financing through securitization. It also aims to demonstrate the commercial viability of sustainability-focused, asset-backed securities for the Indian rooftop solar sector. Over 2017-2022, the Facility can mobilize USD \$500 million of private capital for rooftop solar power. It has the potential to help raise further investment, beyond 2022, by demonstrating the commercial viability of the sector.

Loans4SME is a peer-to-peer lending platform to increase access to debt financing for small and medium enterprises (SMEs) for renewable energy and energy efficiency initiatives, by connecting them directly with lenders. Loans4SME has the potential to mobilize around USD \$2.2 billion in debt financing for SMEs in renewable energy and energy efficiency by 2022, and thereby help in providing access to finance almost 800 MW of rooftop solar projects. Since July 2016, it has closed transactions with a total deal size of INR 38 crore, or USD \$5.7 million. 80% of these transactions have been in support of SMEs in renewable energy and infrastructure.

The FX Hedging Facility facilitates large-scale foreign investment into renewable energy in India by providing a cheaper currency hedging solution. Currency risk – the risk of unexpected devaluation when investing in a foreign currency – is the greatest risk facing potential foreign investors in renewable energy. It requires currency hedging, but commercially available currency hedging products can be expensive. With one transaction that we tested, we found the FX Hedging Facility can reduce the cost of currency hedging by around 30% and has the potential to mobilize a minimum of \$9 of foreign debt per dollar of donor grant.

2016-2017 INSTRUMENTS UNDER DEVELOPMENT

Solar Investment Trust

An investment trust to increase availability of equity, possibly at a lower cost, to small-scale residential and industrial rooftop solar projects. Proposed by CleanMax Solar.

The Matchmaker Service

A platform to match qualified investors with a pipeline of climate-related investment opportunities for cities in India. Proposed by Carbon Disclosure Project and Climate KIC.

Solar Agro-Processing Power Stations

An enterprise to use solar off-grid systems for agro-processing in villages, to replace diesel-fueled mills or manual work by women. This instrument was also selected in December as a finalist for the India Lab's sister initiative, the Fire Awards. Proposed by Village Infrastructure Angels.

Sustainable Energy Bonds

Bonds to drive finance to sustainable energy projects by attracting impact investors looking for debt exposure and offering them a set of instruments that provides return as well as standardized impact measures. Proposed by cKers Finance.