

Frequently Asked Questions



WHAT IS THE INDIA INNOVATION LAB FOR GREEN FINANCE?

The India Innovation Lab for Green Finance is a new public-private initiative in India that aims to identify, develop, and accelerate innovative solutions to drive more investment for green growth in India.

Through an open call for ideas, the India Lab crowdsources ideas for innovative finance instruments to manage investment risks and scale up investment. Next, the India Lab, comprised of expert Lab Members, selects, analyzes, and helps launch this next wave of cutting-edge finance instruments.

WHY SHOULD I SUBMIT AN IDEA?

Selected ideas will receive guidance and implementation support from the India Lab Secretariat as well as expert Members in government, finance, renewable energy, and infrastructure. The India Lab will build on the successes of its sister initiative the Global Climate Lab for Green Finance, which has raised hundreds of millions in initial funding for its pilot ideas.

WHO ARE THE INDIA INNOVATION LAB FOR GREEN FINANCE LAB MEMBERS AND WHAT IS THEIR ROLE?

The India Lab is comprised of expert Lab Members from government, banks, investment groups, development finance institutions, renewable energy development, and infrastructure development, from both India and worldwide. The full list can be found [here](#).

Together, the Lab Members select the instruments to pilot, and provide guidance and support in developing and accelerating the successful instruments, using their deep experience and expertise in the political, financial, and technical facets of clean growth in India.

Each organization is represented by a Principal and an Advisor. Lab Principals endorse and support the India Lab and successful instruments, and provide political, financial, technical, and promotional support where appropriate. Lab Advisors support the Principals in providing institutional expertise and support instrument design, development, and stress testing.

WHO FUNDS THE INDIA INNOVATION LAB FOR GREEN FINANCE?

The India Innovation Lab is hosted and funded by Shakti Sustainable Energy Foundation, with additional funding from the David and Lucille Packard Foundation and the UK government.

WHAT IS THE INDIA LAB'S GOVERNANCE STRUCTURE?

The India Lab's strategic direction is guided by the funders who make up the Project Management Group (PMG) - Shakti Sustainable Energy Foundation, the UK Government, and the David and Lucille Packard Foundation.

Climate Policy Initiative's team in India serves as the Lab Secretariat, providing secretariat and analytical support to the India Lab, under guidance from Lab Members and the PMG.

WHAT IS THE ROLE OF MNRE AND OTHER GOVERNMENT MEMBERS?

The Ministry of New and Renewable Energy has endorsed the India Lab and is a key stakeholder.

Mr. Tarun Kapoor, Joint Secretary of MNRE, Ms. Sharmila Chavaly, Joint Secretary of the Ministry of Finance, and Mr. Anil Jain, Energy Adviser for NITI Aayog, serve as Lab Mentors. Lab Mentors are high-level government stakeholders who support the India Innovation Lab through an advisory role.

WHERE DID THE IDEA FOR THE INDIA INNOVATION LAB FOR GREEN FINANCE COME FROM?

India has ambitious green growth targets. These include 175GW of renewable energy by 2022. Reaching these targets would require mobilization of attractive capital to the order of USD 100 billion. Mobilization of this capital would require development of innovative financing mechanisms.

The India Innovation Lab for Green Finance was developed in response to a need to find finance solutions for the unique challenges and opportunities of India. The India Lab would fast track development of these instruments via a crowdsourced, crowdfunded, public-private partnership based platform.

The India Innovation Lab for Green Finance builds on a sister initiative that operates at the global level, the Global Innovation Lab for Climate Finance. The Global Innovation Lab for Climate Finance (The Lab) is a global initiative that aims to drive billions of dollars of private investment into climate change mitigation and adaptation projects in developing countries. So far, it has raised \$500 million in initial funding for pilot instruments from its first cycle. It is currently in its second cycle.

HOW IS THE INDIA LAB RELATED TO THE GLOBAL INNOVATION LAB FOR CLIMATE FINANCE?

The India Innovation Lab was developed as a sister initiative to the Global Lab. The design and process are similar, there is an exchange of ideas, and Climate Policy Initiative serves as the Lab Secretariat for both. However, the India Lab was developed and driven in India, by Indian stakeholders including Shakti Sustainable Energy Foundation and MNRE, in response to the unique green infrastructure financing challenges and opportunities facing India.

WHAT ARE SOME EXAMPLES OF IDEAS?

The India Lab is seeking ideas for innovative finance instruments for renewable energy (including utility scale, distributed, and off-grid), energy efficiency, urbanization, and other channels for green growth, that can overcome barriers and risks and scale up more capital from new investors.

One example is a [currency hedging instrument](#) that can lower the risks of volatile and unexpected currency devaluation, thus encouraging more foreign investment.

HOW WILL THE INDIA LAB BENEFIT INDIA?

India has ambitious green growth targets, such as 175 GW of renewable energy by 2022. However, India faces two key challenges around finance for renewable energy and other green infrastructure: a shortage of available financing, and financing at unattractive terms – such as high cost of debt, short tenor, and variable interest rates – which can add up to 30% to the cost of renewable energy in India, compared to the US or EU.

While the right domestic policies will be key to facilitating finance, greatly scaling up investment from the private sector will be the

only way to mobilize the full amount of capital needed to meet India's renewable energy and other green growth targets.

In order to scale up private investment, India needs financial instruments for renewable energy and other green infrastructure that are a better match with investors' needs. This is where the India Lab comes in.

WHAT ARE THE IDEA SCREENING CRITERIA?

In general, The Lab looks at four criteria in assessing instruments.

Transformative: The idea can be replicated at scale to have a transformative impact on India's green growth.

Innovative: A justification as to why the idea is innovative; this includes a description of barriers to private green infrastructure finance that the idea will overcome directly and indirectly, and evidence as to why barriers may exist and how they may be overcome.

Catalytic: The potential of the idea to catalyze or engage private green infrastructure finance at scale, identified through market growth opportunity and/or investment potential.

Actionable: The Idea Proponent should indicate the type of organization that could be an implementer (e.g. bank, private company, industry association), and the timeframe to implementation along with a set of milestones to achieve it. Any implementation challenges or risks should be identified. Idea Proponents should also indicate if they wish to implement a pilot.

WHAT KIND OF SUPPORT TO INSTRUMENTS DOES THE LAB PROVIDE?

The India Lab provides in-depth analytical support to a shortlist of instruments, including the feasibility and potential impact of the instruments, and supports in further

development of the design and implementation plan. For ideas that are selected to be piloted, the India Lab helps fast track them by continuing to provide analytical support and development, and by facilitating outreach and dialogue between idea proponents and implementers, with potential funders or supporters and other relevant stakeholders and domain experts.

WHAT WOULD THE DESIGN OF INSTRUMENTS DEVELOPED WITH THE INDIA LAB ACTUALLY INCLUDE?

The design of successful instruments will include:

- an in-depth description of how the idea operates.
- outlining the types of organizations and skillsets that are required to implement the concept and achieve impact, including the role of public support
- details of who will bear the risks (financial, technology, policy/political, market etc.) in the implementation of the concept
- an outline of the status quo or business-as-usual scenario that the idea intends to improve upon
- an estimate of catalytic public and private green finance leveraged, as well as the wider transformational potential of the instrument to meet national renewable energy targets.
- an overview of a timeline with key milestones for how to make the instrument actionable.
- Key takeaways and open questions: Conclusions will provide a verdict on how each instrument may be innovative, catalytic and transformational against the status quo and key milestones to make them actionable. In addition, remaining open questions in design and implementation of the instrument, that could influence the final performance and outcomes, will be highlighted.

HOW CAN OTHER EXPERTS GET INVOLVED?

In order to keep its decision-making and analytical processes streamlined and move quickly to implementation, participation in the India Lab meetings will be limited to Principals and their Advisors. The Lab Secretariat, who leads the analysis of proposed instruments, will consult widely to source the best ideas for financing instruments and draw on the expertise of Lab members and additional financial and investment leaders to ensure that analysis is robust, objective, and inclusive. The India Lab will actively seek opportunities to participate in, and share lessons with other fora and with different classes of investors and project developers.

If you are interested in helping the India Lab with your expertise, please write to info@greenfinancelab.in. Based on the India Lab's analytical needs, you would be engaged in ongoing analysis on appropriate instruments.

HOW CAN MY ORGANIZATION BECOME A LAB MEMBER?

If your organization is interested in becoming a Lab Member, please write to info@greenfinancelab.in. Based on the India Lab's strategic needs, you may be formally invited to become a Lab Member.

WHAT IS THE FREQUENCY AND PHASES OF THE INDIA LAB?

The India Lab is an annual cycle with three phases. Phase 1 is the call for ideas. At the end of Phase 1, Lab Members select a shortlist of ideas to move on to Phase 2.

In Phase 2 Instrument Design, collaborative working groups are set up around each of the ideas. The aim here is to refine and stress-test the ideas against the markets and risk frameworks that they might be deployed in. The Secretariat analyses the ideas against a

pre-set list of analytical questions. Concrete milestones and implementation plans are developed for would-be implementers to take up.

Idea proponents are invited to participate in the working groups. They work through an online platform where ongoing refinements and analysis are provided on the idea.

Phase 2 concludes with a Second Advisors meeting to endorse the Lab instruments.

In Phase 3 Pilot Support, the implementers of pilots of the idea work to develop pilot proposals. The India Lab facilitates outreach and dialogues between potential funders or supporters and the pilot implementers, making sure that pilots have the best chance of success. Also, in this period, the secretariat is available to provide bespoke analytical support to implementers as they prepare pilot proposals for different funders and investors.

Beyond Phase 3, pilots of Lab instruments report their progress and share the lessons of their development to the India Lab and its wider community.

HOW MANY IDEAS WILL MOVE FORWARD TO THE IMPLEMENTATION PHASE?

The India Lab will select up to 4 instruments to help pilot.

IS THE INDIA LAB A NONPROFIT?

The India Lab is a virtual platform, hosted by the Shakti Foundation, a non-profit organization. Funding for the India Lab goes entirely to Lab operations and analysis.

WHY IS CPI PROVIDING ANALYTICAL SUPPORT?

CPI has worked closely with the Indian government for four years on measures to manage the cost of renewable energy, designing cost-effective subsidies, and leveraging public

investments to drive private capital flows. CPI's team of experts in Delhi has a particular focus on financing renewable energy in India, and is currently working on an ongoing renewable energy investor study which maps global financial flows from institutional investors and identifies barriers to investment.

In addition, CPI also serves as the Lab Secretariat for the Global Lab, and draws on experience from that.

WHAT DOES IT MEAN FOR THE SHAKTI SUSTAINABLE ENERGY FOUNDATION TO BE HOSTING THE LAB?

In its role as host, Shakti works closely with the Lab Secretariat and the Project Management Group to provide strategic direction, guide the analytical work of the Lab Secretariat, and facilitate stakeholder outreach.