

GOVERNMENT OF INDIA  
MINISTRY OF NEW AND RENEWABLE ENERGY  
**LOK SABHA**  
**UNSTARRED QUESTION NO. 3587**  
ANSWERED ON 10.08.2023

**FINANCING OF RENEWABLE ENERGY PROJECTS**

3587. DR. BEESETTI VENKATA SATYAVATHI

Will the Minister of NEW AND RENEWABLE ENERGY be pleased to state:

- (a) whether the banking sector is reluctant to finance renewable energy projects and if so, the details thereof;
- (b) whether the Government charges a guarantee fee up to 1.2 per cent per annum to provide guarantee on loans outstanding from the international market and if so, the details thereof;
- (c) whether this leads to increase in cost of loans and if so, the details thereof;
- (d) whether the Government has taken any steps to encourage financing of renewable energy projects by public sector lenders, like the Power Finance Corporation, through policies that reduce funding costs; and
- (e) if so, the details thereof and if not, the reasons therefor?

**ANSWER**

**THE MINISTER OF NEW & RENEWABLE ENERGY AND POWER**

**(SHRI R.K. SINGH)**

(a) Credit related matters have been deregulated and Banks and Financial institutions (FIs) have been advised to frame their credit policies. In deregulated credit environment, Banks/FIs consider credit proposals, including renewable energy projects, as per their Board approved policies, within the board regulatory framework and extant guidelines.

Reserve Bank of India vide its notification dated 04.09.2020 has increased bank loan limit for renewable energy up to Rs 30 crore under Priority sector loans. Bank loans up to Rs 30 crore to borrowers for purposes like solar based power generators, wind mills, micro- hydel plants and for non- conventional energy based public utilities are eligible under Priority Sector Classification. For individual households, the loan limit is Rs 10 lakh per borrower.

(b) As per the Government Guarantee Policy, 2022, issued by the Department of Economic Affairs, Ministry of Finance, dated 17<sup>th</sup> May 2022, guarantee fees is levied based on risk rating and tenor for both domestic and external borrowings. The applicable guarantee fees is in the range from 0.5% to 0.9% per annum.

For outstanding foreign currency loans disbursed prior to Government guarantee policy 2022, Government of India is charging guarantee fee up to 1.2 % per annum from case to case basis as per Rule 279 (1) of General Financing Rules (GFR) 2017.

(c) The cost of loans which have sovereign guarantee may increase marginally due to applicable guarantee fee. However, the sovereign guarantee is likely to moderate the original cost of loan due to lowering the risk.

(d) & (e) Government has taken various steps to encourage financing of renewable energy projects by public sector lenders, like the Power Finance Corporation. These, inter alia, include;

- Permitting Foreign Direct Investment (FDI) up to 100 percent under the automatic route,
- Waiver of Inter State Transmission System (ISTS) charges for inter-State sale of solar and wind power for projects to be commissioned by 30th June 2025 and graded ISTS charges thereafter,
- Setting up of Project Development Cell for attracting and facilitating investments,
- Standard Bidding Guidelines for tariff based competitive bidding process for procurement of Power from Grid Connected Solar PV and Wind Projects,
- Government has issued orders that power shall be dispatched against Letter of Credit (LC) or advance payment to ensure timely payment by distribution licensees to RE generators,
- Notification of Promoting Renewable Energy through Green Energy Open Access Rules 2022,
- Notification of Late Payment Surcharge and related matters Rules 2022,
- Government infused equity of Rs 1500 crore in IREDA in 2022 which enabled IREDA to improve capital -to-risk weighted assets ratio (CRAR) to facilitate its lending and borrowing operations.

These measures also mitigate project risk, thereby reducing cost of funding.

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