

GOVERNMENT OF INDIA
MINISTRY OF NEW AND RENEWABLE ENERGY
LOK SABHA
UNSTARRED QUESTION NO. 3022
ANSWERED ON 19/03/2025

BENEFITS OF RENEWABLE ENERGY FINANCING OBLIGATION

3022. SHRI CAPTAIN BRIJESH CHOWTA
SHRI JASWANTSINH SUMANBHAI BHABHOR
SHRI PRATAP CHANDRA SARANGI

Will the Minister of New and Renewable Energy be pleased to state:

- (a) the estimated financial impact and potential benefits of Renewable Energy Financing Obligation (REFO) on India's renewable energy growth;
- (b) whether the Government has consulted financial institutions and stakeholders on simplifying financing processes for renewable energy projects particularly roof top solar and if so, the details thereof;
- (c) the measures taken to ensure flexible lending terms and green investment prioritization;
- (d) whether the government has reviewed the effectiveness of Renewable Purchase obligations (RPOs) and similar mandates before proposing REFO; and if so, the details thereof; and
- (e) whether the government has any specific initiatives to encourage rooftop solar adoption in coastal and industrial regions like Dakshina Kannada, where solar potential is significant and if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR NEW & RENEWABLE ENERGY AND POWER
(SHRI SHRIPAD YESSO NAIK)

(a) Renewable Energy Financing Obligation (REFO) is expected to create a dedicated financial ecosystem for renewable energy projects, ensuring consistent capital flow to accelerate deployment as required for meeting Nationally Determined Contributions (NDC) and Net-Zero targets of the Country. Broadly, REFO mechanism is likely to address the following:

- Bridging the funding gap for achieving 500 GW of non-fossil fuel-based capacity by 2030, requiring an estimated ₹30 lakh crore investment.
- Encouraging financial institutions to allocate resources for renewable energy projects, reducing dependency on conventional sources.
- Enhancing India's energy security and reduce import dependency by promoting domestic renewable energy generation.
- Lowering electricity costs in the long run by driving down financing costs and improving economies of scale in green energy projects.

(b) & (c) Yes, MNRE has been actively engaged with financial institutions and stakeholders, to streamline renewable energy financing, and flexible loan terms.

Some of the initiatives of MNRE in this respect are as under:

- Organizing workshops on Mobilizing Finance for Renewable Energy, where major banks and NBFCs are called to discuss financing challenges and solutions.
- Direct consultations with banks and industry leaders, urging them to simplify loan processing.
- Encouraging green financing instruments, such as green bonds and concessional loans, to make funding more accessible.
- Regular discussions with other Ministries/departments and RBI to enhance regulatory support for renewable energy financing, ensuring priority sector lending benefits are extended to more green projects, etc.

Also, IREDA, a financial institution under MNRE, has been actively financing RE projects. IREDA has launched a dedicated Retail Division targeting the Business-to-Customer segment. The entire loan application process at IREDA is digitized with simplified processes.

(d) The compliance of Renewable Purchase obligation (RPO) requires availability of renewable power at affordable cost. The cost of financing is a major component in generating renewable power at competitive rates by the RE developers. Accordingly, Ministry has suggested Department of Financial Services (DFS), to consider mandating REFO.

(e) To encourage adoption of rooftop solar in the country including in the coastal and industrial regions like Dakshina Kannada, Government of India has launched PM Surya Ghar: Muft Bijli Yojana. The scheme aims to increase the share of solar rooftop capacity in the country and empower residential households to generate their own electricity. The scheme has a target to install rooftop solar for one crore households in the residential sector with an outlay of ₹ 75,021 crore and is to be implemented till FY 2026-27.
