

**Revised Features under Category III of  
SBP Financing Scheme for Renewable Energy**

**9. Category III of the Scheme**

The provisions under this Section (Section 09) are only applicable for Category III of the Scheme.

**a. Eligibility Criteria:**

- i. The financing under this Category is available to Renewable Energy Investment Entities (RE-IEs) which are established to invest in renewable energy generation through installation of renewable energy projects/ solutions for selling electricity or leasing/ renting out/ selling on deferred payment renewable energy (RE) equipment to ultimate owners/ users.
- ii. RE-IEs shall not be required to be certified under AEDB certification regulations. However, the financing banks/DFIs shall ensure that the vendors/suppliers/EPC contractors of RE-IEs are certified under AEDB certification regulations. In case, an RE-IE undertaking installation in-house, the RE-IE must itself be certified under AEDB certification regulations.
- iii. Moreover, RE-IEs shall be required to obtain all applicable approvals/licenses/NOCs of all relevant government departments/agencies/authorities (including distribution companies).
- iv. The financing shall be utilized by RE-IEs for selling of electricity or onward leasing/ renting out or selling on deferred payment of RE equipment to ultimate owners/users. The capacity of a single renewable energy project/ solution shall not be more than 5 MW. The ultimate owners/users may be individuals/ entities who, being clients, are the counterparties of RE-IEs in their transactions of selling electricity or leasing/ renting/ selling on deferred payment of renewable energy equipment. In case of leasing/renting/selling on deferred payment, the ultimate owners/users may be installing the RE equipment for their own use and/or supply to the distribution company under NEPRA's net metering regulations.
- v. An RE-IE may install more than one renewable energy source based projects/ solutions of up-to 5 MW each for a single ultimate owner/user. However, any two or more of such projects/ solutions for a single ultimate owner/user must not be located contiguously.
- vi. Refinance may be provided for 100% of financing (debt) provided by banks/DFIs to the eligible borrowers subject to adherence of other rules & regulations.

**b. Maximum amount of Refinance:**

The consolidated borrowing of a single RE-IE under this Category shall not exceed Rs. 2 billion. For financing requirements within this limit, financing banks/DFIs may enter into consortium arrangements.

**c. Disbursement of Financing:**

- i. The RE-IE shall avail the facility separately for each project/ solution of an ultimate owner/user of installed RE equipment.
- ii. The disbursement shall be made to the RE-IE, within consolidated borrowing limit of that RE-IE, subject to completion of pre-disbursement formalities as laid down hereinafter.
- iii. The financing bank/DFI shall convey the cushion available within consolidated borrowing limit with each refinance disbursement request for an RE-IE to the relevant SBP BSC office. Any disbursement in excess of consolidated borrowing limit of that RE-IE shall be subject to immediate recovery from financing bank/DFI and may also attract penalty as per the rates specified by State Bank of Pakistan.
- iv. To avail the facility, the lending bank/DFI shall submit disbursement request to the relevant SBP BSC office along with following documents (in addition to documents specified under Section 4(ii) above):
  - a. Agreement of electricity sale or lease/rent/deferred payment sale of RE equipment between RE-IE and ultimate owner/user along with schedule of payment of expected electricity bills or lease installments/ rentals/ deferred payment installments.
  - b. Schedule for repayment of finance to SBP BSC office. It is clarified that repayment schedule cannot go beyond the period of electricity sale/lease/rentals/deferred payment sale installments as per the agreement between an RE-IE and ultimate owner/user. In case of early completion/termination of agreement between RE-IE and ultimate owner/user, the RE-IE is required to settle full amount of financing it has availed in respect of that ultimate owner/user, within three working days.
  - c. Proof that RE-IE has obtained security deposit equivalent to average installments/rentals/expected electricity bills of minimum three (03) months from the ultimate owner/user.
  - d. Undertaking of ultimate owner/user to route his payments of electricity bills or installments of lease/ rentals / deferred sale through the financing bank/DFI.
  - e. Tripartite agreement of RE-IE, ultimate owner/ user and financing bank/ DFI creating lien of bank/DFI on the RE equipment installed.
  - f. Applicable approvals/licenses/NOCs of all relevant government departments/agencies/ authorities (including distribution companies).
- v. The banks/DFIs shall ensure that contracts/agreements between RE-IEs and ultimate owners/users as well as those of RE-IEs with their installers/ EPC contractors/ vendors/suppliers etc. are made on arms length basis in order to avoid any conflict of interest.

**d. Rates of Service Charges / Mark up:**

- i. The rate of service charge at which SBP will provide refinance to the banks/ DFIs shall be fixed for the entire duration of the loan, provided the borrowers continue to repay on due dates as per repayment schedule.
- ii. Service charges and rates for end users have been fixed as per the following:-

Rate of Refinance	Maximum bank/DFI's Spread	Maximum User Rate	End
3.00%	3.00%	6.00%	

**e. Terms of financing:**

- i. The disbursements to an RE-IE for a single client (ultimate owner/user) shall constitute a separate loan facility with its own repayment schedule not exceeding ten (10) years from the date of first disbursement to the RE-IE for that particular client.
- ii. An RE-IE may avail maximum grace period of 06 months in the loan repayment schedule from the date of first disbursement for installation of a renewable energy source-based project/solution of up-to 5 MW each for an ultimate owner/user. Banks/DFIs shall clearly mention the "grace period" in the repayment schedule to be submitted to the concerned office of SBP-BSC (Bank) at the time of availing refinance.
- iii. Disbursements by banks/DFIs are not made to the RE-IE directly; instead payments are made to the installers/ EPC contractors/ vendors/suppliers in line with underlying contracts and construction milestones. This condition shall not be applicable to the extent of installation being undertaken in-house by the RE-IE; however, the financing bank/DFI shall ensure that disbursements are made in line with milestones agreed between RE-IE and financing bank/DFI.
- iv. Banks/DFIs may allow advance payment to the RE-IEs up-to the extent of 20% of C&F value / ex-factory price/ EPC contract from the financing availed under the Scheme in terms of related underlying agreement. The security deposit obtained by the RE-IE from the ultimate owner/user will be adjusted in this maximum 20% advance payment allowed to the RE-IE. Any advance payment extended by banks/DFIs in excess of 20% shall be eligible for refinance along with last scheduled payment to the installer/ EPC contractor/ vendor/supplier.
- v. The RE-IE, being the borrower, shall remain liable for repayment of loan amount to the lending bank/DFI, irrespective of whether the ultimate owner/user makes installments/rental/electricity bills payments or not.
- vi. Principal amount of loans shall be repayable in monthly, quarterly or half yearly installments after prescribed grace period, if any.
- vii. Mark-up shall be paid on monthly or quarterly basis.

**f. Other Terms & Conditions:**

- i. The RE-IE shall, on quarterly basis, submit Asset Health Report to the financing bank/DFI.
- ii. The banks/DFIs shall not take more than one month in evaluating an application for financing under this Category of the Scheme from the date of receipt of complete information from the borrower.

- iii. In case of government entities/ departments being ultimate owners/ users as clients of RE-IEs, SBP may examine requests for relaxing maximum limit of 5 MW for a single project/ solution.