

**Revised Features under Category III of
Islamic Financing Facility for Renewable Energy (IFRE)**

1.6. Category III of the Facility:

1.6.1. Eligibility Criteria under Category III:

- 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 project/ solution 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.

1.6.2. Maximum amount of financing to an RE-IE:

- i. The consolidated financing of a single RE-IE under this Facility shall not exceed Rs. 2 billion. For financing requirements within this limit, PIFIs may enter into consortium arrangements.
- ii. The RE-IE shall avail the facility separately for each project/ solution of an ultimate owner/user of installed RE equipment.
- iii. The PIFIs shall disburse funds to an RE-IE, within consolidated financing limit of that RE-IE, subject to completion of pre-disbursement formalities.

1.6.3. Disbursement of Funds from SBP to the PIFI under Mudarabah:

- i. SBP's Mudarabah investment will be made up-to 100% of financing provided by PIFIs to the eligible customers (RE-IEs), subject to adherence of other rules & regulations.
- ii. The PIFI shall convey the cushion available within consolidated financing limit with each Mudarabah investment request for an RE-IE to the relevant SBP BSC office. Any disbursement in excess of consolidated financing limit of that RE-IE shall not be eligible for SBP's Mudarabah investment and shall be subject to immediate recovery from PIFI.
- iii. For availing Mudarabah investment under Category III, the PIFI shall take following documents from its customer to further submit to the relevant SBP BSC office, in addition to documents specified under Section 1.11.1:
 - 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. Copy of undertaking of ultimate owner/user to route his payments of electricity bills or installments of lease/ rentals / deferred sale through the PIFI.
 - e. Copy of tripartite agreement of RE-IE, ultimate owner/ user and PIFI creating security charge of PIFI on the RE equipment installed.
 - f. Applicable approvals/licenses/NOCs of all relevant government departments/agencies/ authorities (including distribution companies).
 - g. Summary of previously availed disbursements and cushion available within consolidated financing limit (in line with requirements as specified under Section 1.6.2 (iii)).
- iv. 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.
- v. 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.

1.6.4. Period of Financing and Redemption/ Repayment of Financing:

- i. The disbursements to an RE-IE for a single client (ultimate owner/ user) shall constitute a separate financing with its own repayment/ redemption schedule not exceeding ten (10) years from the date of first disbursement to RE-IE for that particular customer.
- ii. An RE-IE may avail maximum grace period of 06 months in the financing 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. The RE-IE, being the customer of PIFI, shall remain liable for redemption/ repayment of financing to the lending bank/DFI, irrespective of whether the ultimate owner/user makes payments against electricity bills/ lease installments/ rentals/ deferred payment sale installments or not.
- iv. The retirement of financial obligations/ redemption under this Category shall be made by the RE-IE on monthly, quarterly or half yearly basis after prescribed grace period, if any.
- v. The profit/ return/ rental shall, however, be payable on monthly or quarterly basis.

2.3. Other Terms & Conditions:

2.3.3. Terms and Conditions specific to Category III

- i. The RE-IEs shall, on quarterly basis, submit Asset Health Report to the PIFIs.
- ii. PIFIs 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 customer.
- iii. The PIFIs 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.
- iv. 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.