

Govt powers move to make PFC first DFI for net zero

Power min writes to FinMin, pitching PFC as lead agency for energy transition funding

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The Union power ministry has moved a proposal to grant Power Finance Corporation (PFC) the status of a development financial institution (DFI), according to sources in the know. The objective behind the move is to enable PFC to steer global climate funding and net zero investment in the country.

With this, New Delhi-based PFC, a financial institution under the power ministry, would be the first DFI for climate and energy transition in India, if the proposal is taken to its logical conclusion. It would address the concern raised by several multilateral, development and sovereign financing agencies about the lack of a nodal agency for steering climate loans and aid in the country, an official close to the development said.

The ministry of power is learnt to have sought the DFI status for PFC under the National Bank for Financing Infrastructure and Development (NaBFID) Act, 2021. It has written to the ministry of finance for the same. The DFI status helps a financial institution (FI) access foreign funding, grants and loans easily and in higher quantum, as compared to a public financial institution (PFI), which PFC already is.

Alok Kumar, secretary, ministry of power confirmed the development.

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GEARING UP FOR GREEN

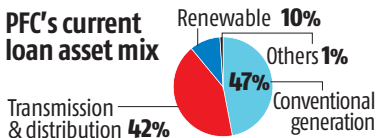
▶ DFI status will help PFC tap multilateral and sovereign funds in the climate and energy transition space

▶ Most funding agencies have long requested for a nodal body to engage with on climate funding in India

▶ India would need \$10 trillion investment to achieve net-zero emissions by 2070

▶ PFC is planning to widen its lending ambit to non-power energy sectors, infrastructure, and logistics

PFC's current loan asset mix



revised every three years, but this time the task was done after seven years. Covid-19 affected the process of preparing the new NLEM. Gupta said that even patented drugs like bedaquiline and delamanid (anti-TB), dolutegravir (anti-HIV), and daclatasvir (Hepatitis C) were part of the NLEM 2022.

DFI...

“We have proposed to the finance ministry to consider PFC and REC (subsidiary of PFC) as DFI for energy transition,” Kumar told *Business Standard*. He said PFC is already active in green energy and energy efficiency and it will be a natural growth area.

“There’s a need for a DFI to achieve the country’s net zero targets... PFC is rightly placed to take that role as close to 80 per cent of the investment for decarbonisation will come in the energy sector. Finance ministry has been requested to provide the required dispensations to PFC,” said a senior official.

Prime Minister Narendra Modi during COP-26 (Conference of Parties -26) in Glasgow 2021 had announced that India will be a net carbon zero economy by 2070.

The official added that while the finance ministry was expected to give its intent for the proposal and approve the several dispensations required for a DFI, it would be up to the Reserve Bank of India to grant the DFI status to PFC. “PFC will apply to RBI after due diligence. The company is hiring a consultant to design the net zero investment plan. We are looking at all and any industrial sector which would require funding for decarbonisation,” said another official.

NBFID Act, 2021, seeks to establish DFIs for providing long-term finance for such segments of the economy where “the risks involved are beyond acceptable limits of commercial banks and other ordinary financial institutions. Unlike banks, DFIs do not accept deposits from people. They source funds from the market, government, as well as multi-lateral institutions, and are often supported through government guarantees, according to the Act.

In line with that, PFC is shifting its loan portfolio

towards funding decarbonisation projects across several infrastructure sectors and net zero value chain. It has already identified green energy projects of oil companies, green hydrogen, battery storage, solar manufacturing as new financing targets.

Currently, conventional power generation accounts for 47 per cent of PFC’s loan portfolio and has declined steadily over the years as investment plateaued in the sector. Its exposure in green energy has increased but remains at 10 per cent of its total portfolio.

A senior executive at PFC said the company wants to place itself as the ‘net zero agency’ of the country. “In the upcoming annual general meeting (AGM), PFC is also proposing to expand the goals of the company by amending its memorandum of association (MoA) so that it can lend to several non-power sectors as well,” he said.

In the agenda notice for its AGM slated for September 21, PFC said, “In order to leverage potential synergies of emerging opportunities in the changed business environment and to facilitate providing financial assistance to the infrastructure sector for meeting its financing and development requirements, it is proposed to expand the objects of the company by insertion of a new sub-clause – to lend to logistics and infrastructure sectors to the extent permitted by the Government of India.” According to industry estimates, India would require \$10 trillion to meet its net zero target. A report by public policy think tank CEEW-CEF noted, “Along with the sectoral deployment of different technologies, India’s net-zero commitment will require immense capital investment in infrastructure. To mobilise \$10.1 trillion of investments and bridge the investment gap of \$3.5 trillion, under the 2070 net-zero pathway, India would need investment support worth \$1.4 trillion until 2070.”

Nifty...

The gains on Tuesday came despite India’s retail inflation rising, to 7 per cent, after falling for three straight months. The rise was largely due to a surge in food prices, and led to spec-