

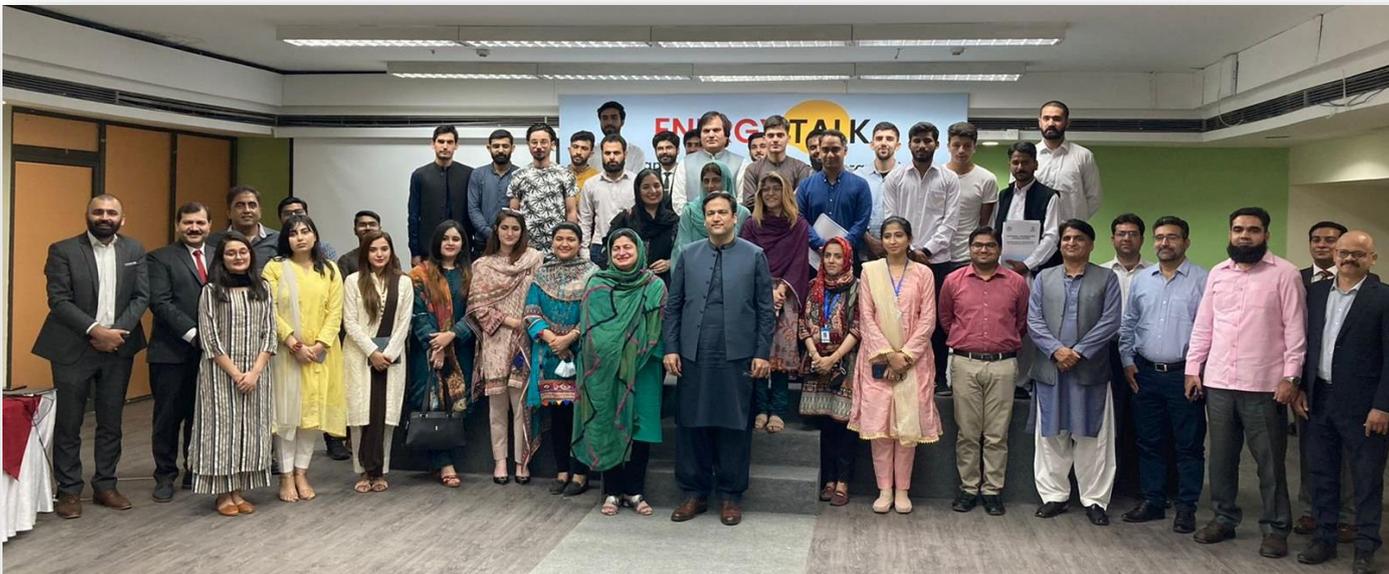


GOVERNMENT OF PAKISTAN  
 MINISTRY OF SCIENCE & TECHNOLOGY  
 NATIONAL ENERGY EFFICIENCY & CONSERVATION AUTHORITY  
 NEECA BUILDING, G-5/2, ISLAMABAD, PAKISTAN  
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**NEECA’s Energy Talks Series – 01**

<b>Topic</b>	Green Financing – Implications for Energy Efficiency
<b>Guest Speaker</b>	Ms. Shireen Baloch - State Bank of Pakistan
<b>Venue</b>	Multipurpose Hall – NEECA Building
<b>Date</b>	12, June 2022





## Green Financing – Implications for Energy Efficiency

Energy Efficiency & Conservation (EE&C) is the key to sustainable development. Insufficient financing due to fiscal constraints and limited focus at policy level on EE&C has restricted its vast potential for strengthening energy security in Pakistan. At the same time, financial sector is an important stakeholder in the Pakistan’s economy and can play a prominent role in bridging this energy efficiency finance gap. The State Bank of Pakistan (SBP), while acknowledging this crucial role of financial sector, issued Green Banking Guidelines (GBG) in 2017 for banks/DFIs as a first step to a series of interventions leading to a sustainable economic environment in the banking sector. Currently, following schemes are run by the SBP;

<b>Export Finance Scheme</b>	<ul style="list-style-type: none"> <li>• A short term (180 days) financing facility for export of value-added items with a markup rate for exporters is 3%</li> </ul>
<b>Refinance Scheme for Working Capital Financing</b>	<ul style="list-style-type: none"> <li>• Financing is initially available to meet working capital requirements with mark up rate of 6%</li> </ul>
<b>Refinance Facility for Modernization of SMEs</b>	<ul style="list-style-type: none"> <li>• Purchase of new imported/ local plant &amp; machinery for BMR of existing units and setting up of new SME units with a mark up rate of 6%</li> </ul>
<b>Long Term Financing Facility</b>	<ul style="list-style-type: none"> <li>• Long term local currency finance for imported and locally manufactured new plant and machinery with a mark up rate of 5%</li> </ul>
<b>Financing Scheme for Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Prospective sponsors, desirous of installing renewable energy source-based projects/ solutions for generation of electricity with a mark up rate of 6%</li> </ul>
<b>Financing Facility for Storage of Agriculture Produce</b>	<ul style="list-style-type: none"> <li>• To encourage private sector to establish Silos, Warehouses &amp; Cold Storages with a Mark up rate is 6%</li> </ul>

SBP Green Banking Guidelines comprise of three main sections i.e. Environmental Risk Management (EnvRM), Green Business Facilitation & Own Impact Reduction. SBP in collaboration with International Finance Corporation is implementing various projects for developments of environmental risk management frameworks, capacity building of banks on green financing and sustainable energy finance. Currently, SBP as a part of its green financing providing financing for renewable energy projects. The investment potential in EE&C sector is totally untapped. The energy efficiency projects have the potential to save 15-20% of the primary energy supply in Pakistan by 2030 if implemented. In monetary terms, there is an investment potential of \$ 18 billion in energy efficiency by 2030. All these projects fall under



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eco-friendly/green investments. The overall investment potential for the Energy Efficiency (EE) measures in the industrial sectors in Pakistan is in the order of PKR 400 billion.

- With payback time for the investments identified are generally below 5 years
- The opportunities are there for FIs to develop an entirely new business

Moreover, Draft National Energy Efficiency & Conservation (NEEC) Policy 2022 sets to achieve the target of saving 9 MTOE (2022-2030) by investing in priority sectors for EE&C such as industry, building, transport, and agriculture. Given the energy saving potential, investing in EE&C projects can put a significant cut in the fuel import bill of Pakistan. There are number of avenues which are crucial to strengthen the implementation of the Green Banking Guidelines and pave the road for GBGs' transition into regulations with a complete buy in from all the stakeholders ensured by the SBP. Globally, banking sector is providing following facilities;

- Green Macro prudential Regulation & Climate Related Stress Testing
- Directed Green Credit Policy Instruments
- Green Differentiated Reserve Requirements
- Differentiated Capital Requirements
- Accepting Carbon Certificates as part of commercial Bank's Legal Reserves
- Green Quantitative that promotes more environmentally friendly responsible development Easing & Reserve Management
- Green Finance Guidelines & Frameworks

Previously, NEECA supported SBP during GBG development process and both institutions can further collaborate to realize the full potential of these GBGs and associated interventions & mechanisms under process. The possible areas of collaborations in near future would be;

- [Green Business Facilitation Policy and Strategy](#)
- [Re-financing Facilities and Credit Lines for EE&C](#)
- [Support in Green Product Development](#)
- [Capacity Building of Banking Sector](#)

NEECA and SBP are in discussion phase for the execution of revolving loan facility (RLF) for energy efficient lighting. The purpose of this collaboration is to issue guidelines to banks to ensure this facility for consumers to avail financing facility to stimulate/incentivize the energy efficient products at a very low interest rate.

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