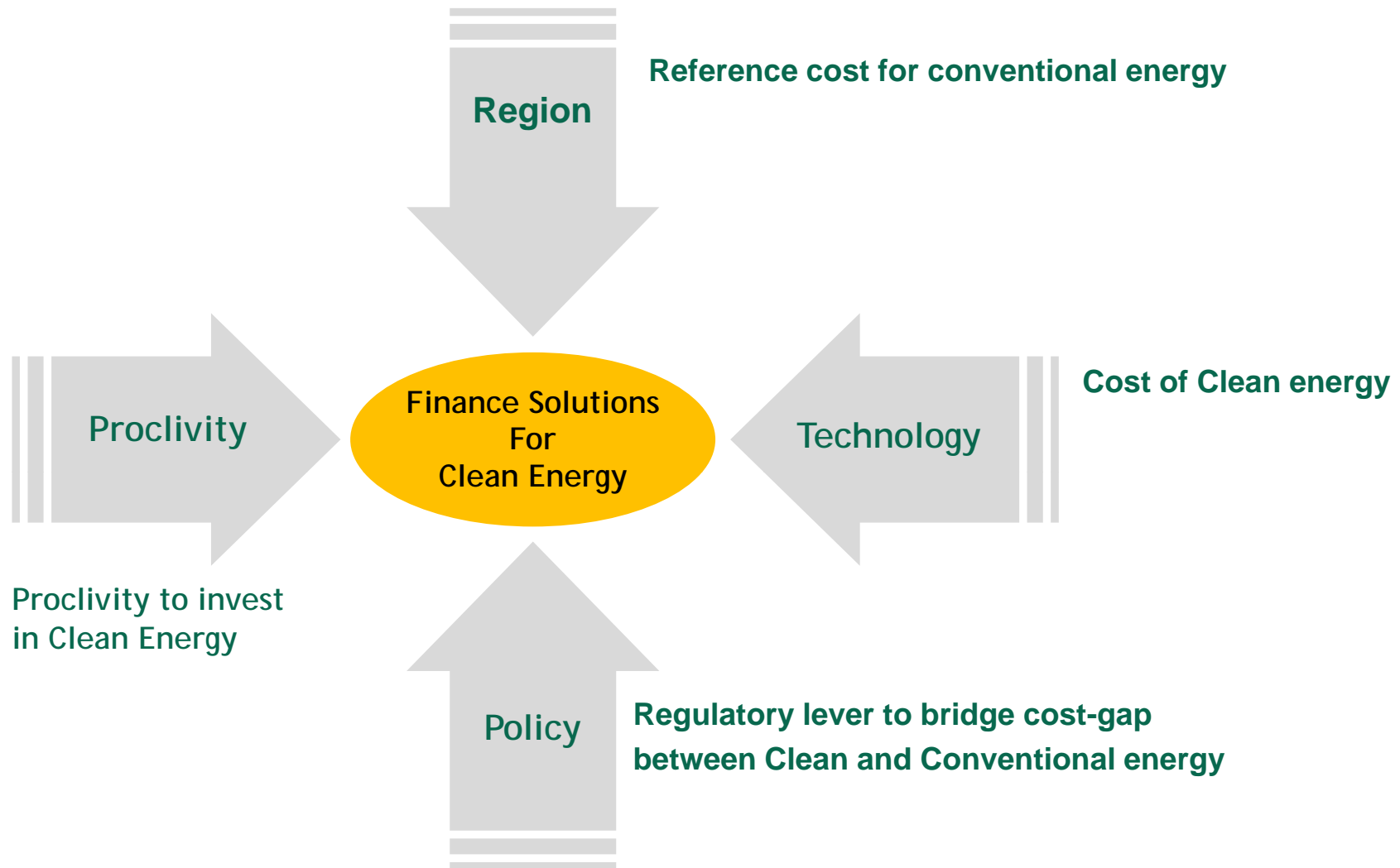


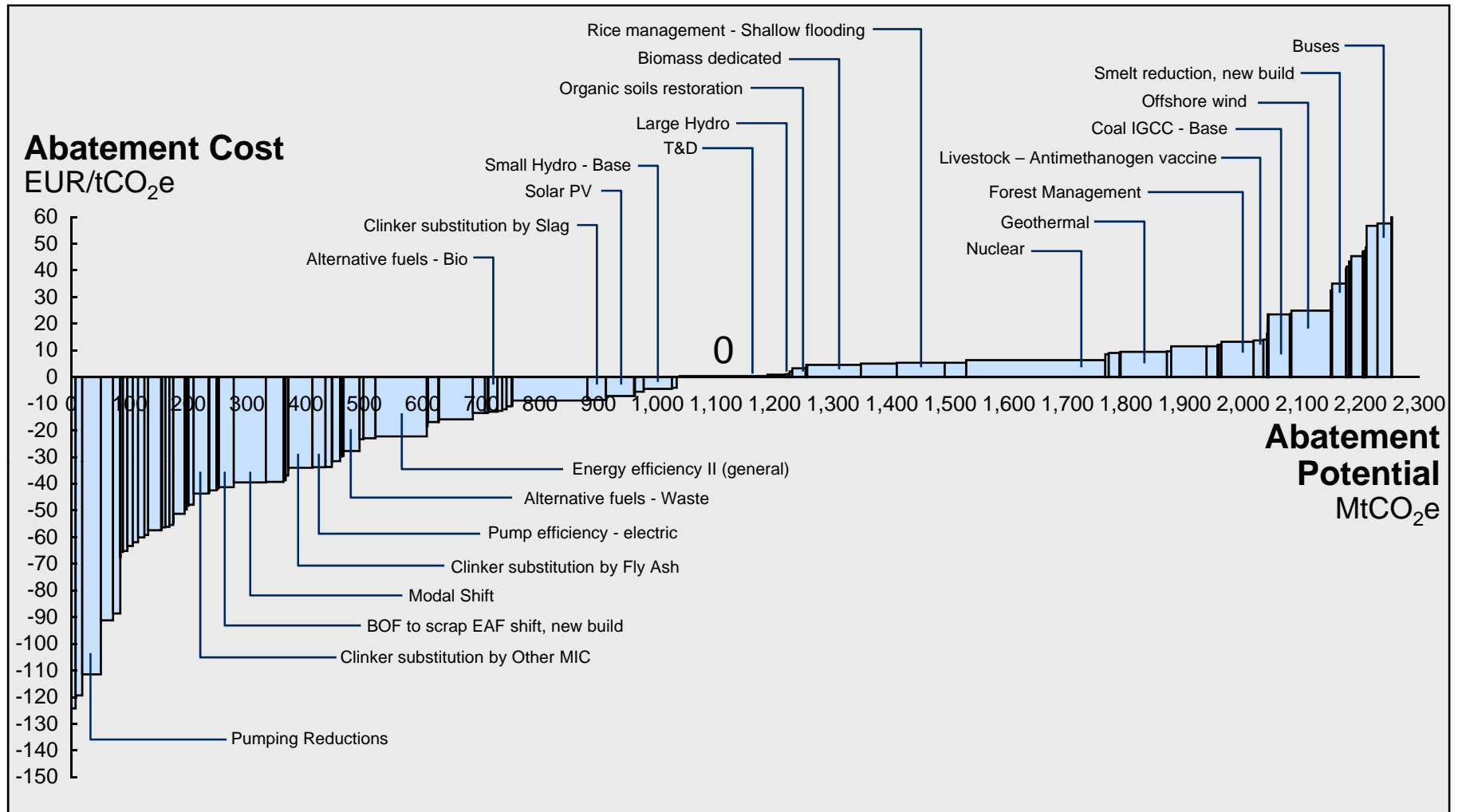
**Pankaj Sehgal**

Managing Director, SUN Group

# FINANCE SOLUTIONS FOR CLEAN ENERGY – KEY DRIVERS

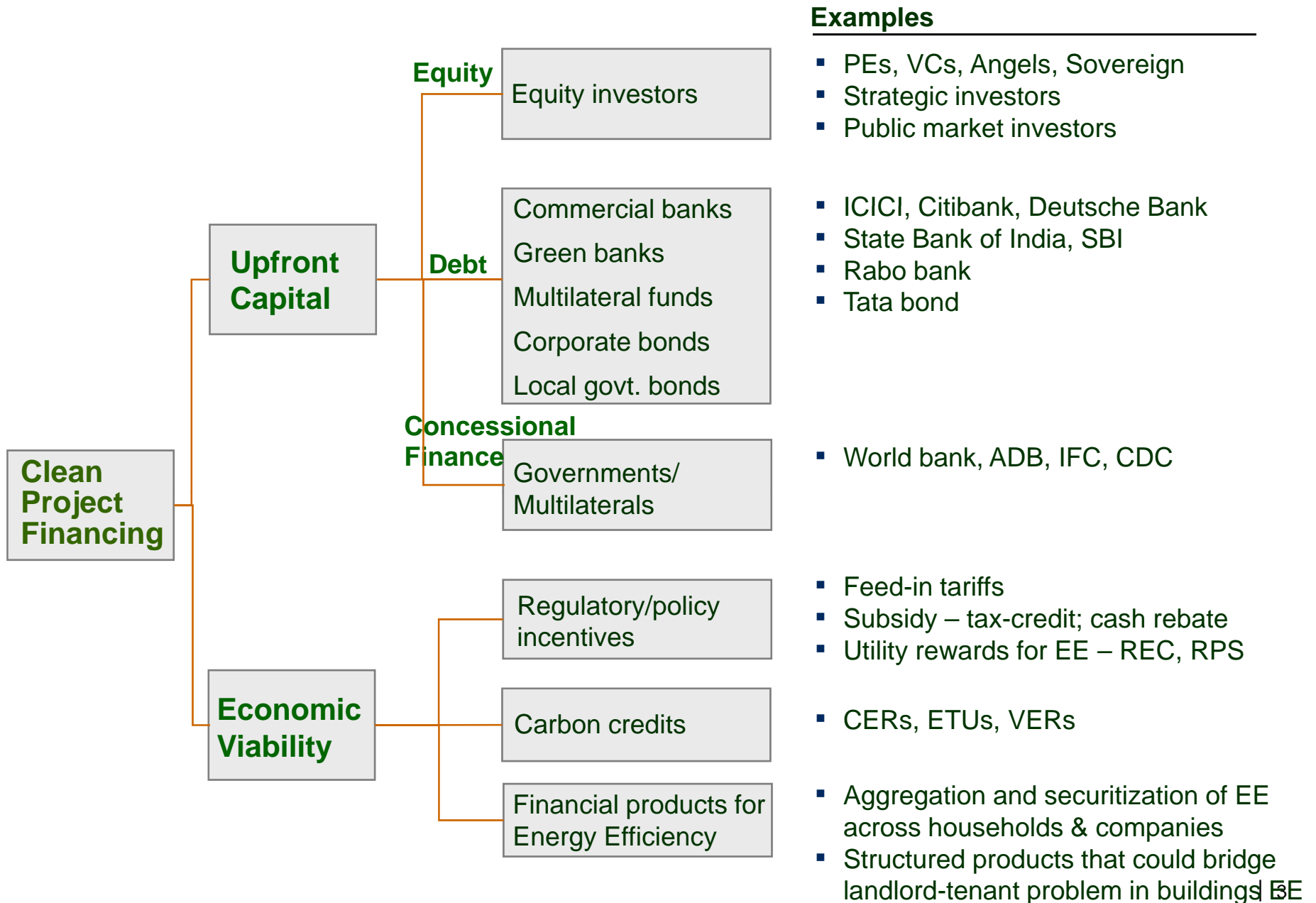


# COST OF CLEAN TECHNOLOGY - MCKINSEY'S ABATEMENT COST CURVE



Source: McKinsey & Co. and Vattenfal

# FINANCE SOLUTIONS FOR CLEAN ENERGY



# NEED LOCAL GOVERNMENT SUPPORT

## Key takeaways

- **Government** money still a big chunk of green financing
- **Private** investment crucial for technology development and commercialization, creating jobs and unlocking the government money
- Serious investment is needed from the **local** government to make the green industry happen

## Direct financial support

## Recommended local government initiatives

- Set up “green credit guarantee organizations” at city level for helping borrow from banks
- Set up “Policy Fund” for green development for subsidizing with quality, innovative products
- Set up International Market Development Fund to help local green companies expand sales to overseas markets

## R&D and IP transfer support

- Issued policies on supporting green technological innovation. Under the policies, green companies with innovative products are subsidized by special funds, and are given priority in government purchase
- Help building connections between universities and green industrial incubators to facilitate technology transfer and commercialization

## Favorable tax treatment

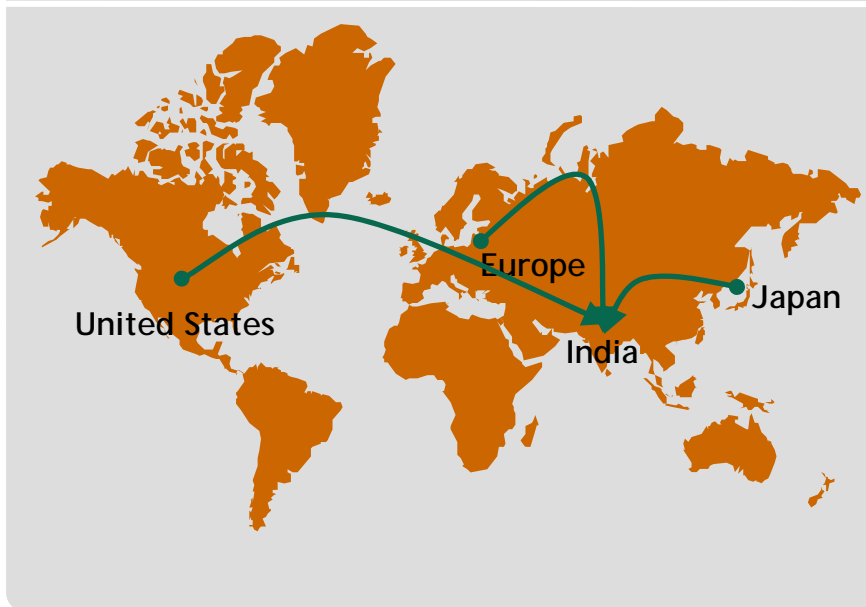
- Reduce tax burden of green companies; Micro enterprises with low profitability can enjoy 20% income tax, and 15% of income tax applied to all high-tech SMEs

## SOME LESSONS FOR INVESTORS

- 1 Structure re-finance clauses, so not to be stuck with present high cost of debt for the entire duration of the project
- 2 Temper IRR expectations; Clean energy returns still don't match returns in some other sectors
- 3 Do CDM registration ahead of project commissioning, so it is easier to build into financial models
- 4 Use combination of commercial banks and developmental banks
- 5 Don't leave carbon revenues fully exposed to spot market volatility
- 6 Be willing to pay more for superior equipment, technology, and performance guarantees

## SUN-PCG CLEANTECH FUND

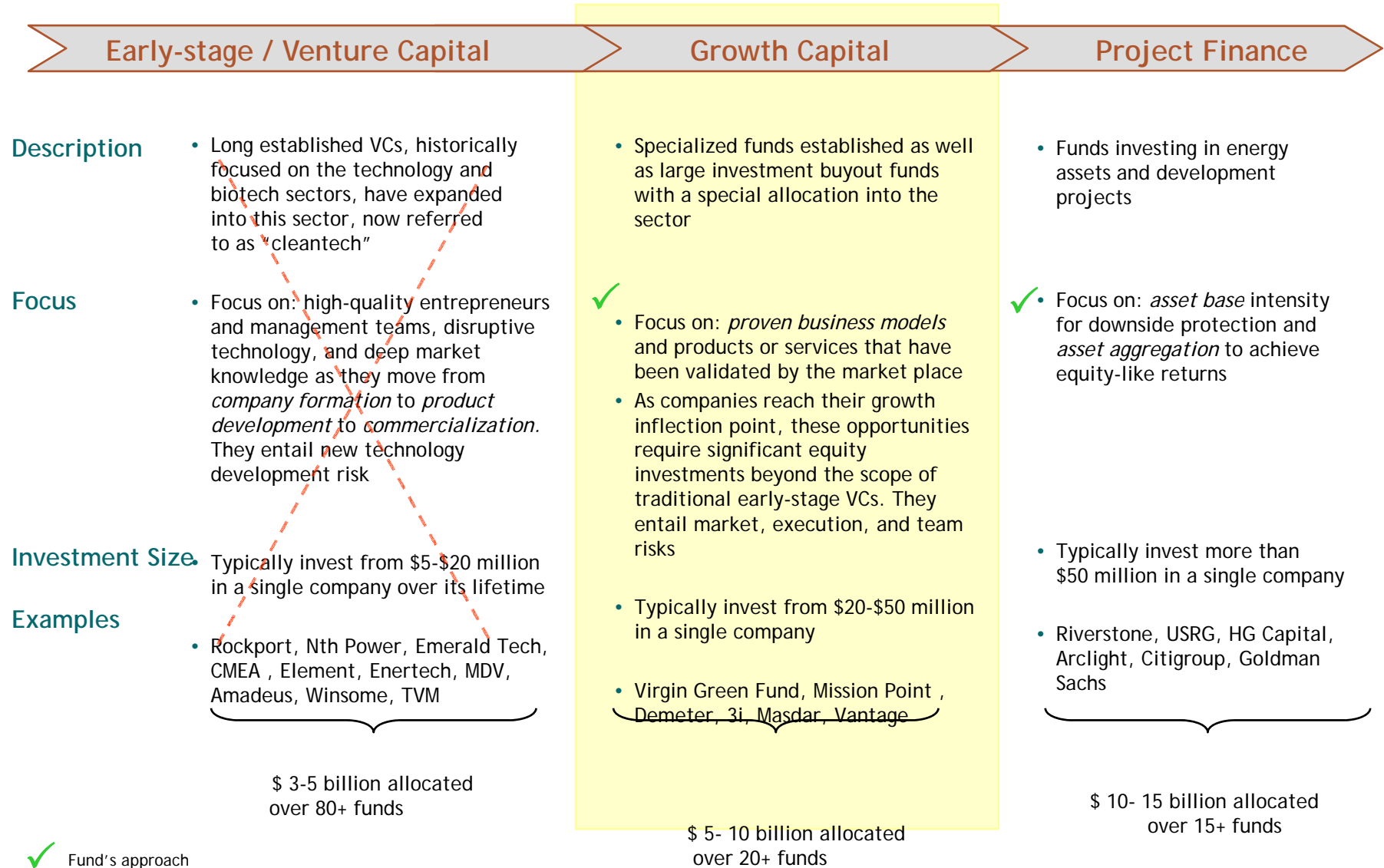
### Transfer of Clean Technology to India



The West is source of over 80% of the clean technology innovation

The Fund would identify, transfer and commercialize India-relevant “proven” cleantech innovations, yielding returns of ~30%

# SUN-PCG CLEANTECH FUND VIS-À-VIS INVESTMENT CONTINUUM



✓ Fund's approach