

## UNEP PRESS RELEASE

### UNEP's India Solar Loan Programme Wins Prestigious Energy Globe

BRUSSELS, 12 April 2007 – After helping more than 100,000 people in 18,000 Indian households finance clean energy from their PV solar electric home systems, the United Nations Environment Programme's Indian Solar Loan Programme has been honoured with a prestigious Energy Globe.

The Energy Globe ([www.energyglobe.info](http://www.energyglobe.info)) is the "World Award for Sustainability" and considered today's most prestigious and acknowledged environmental award bestowed on projects from all over the world "which make careful and economical use of resources and employ alternative energy sources".

"The award shows that improving access to finance can help to influence the shift towards cleaner energy in the developing world", says UNEP Executive Director Achim Steiner. "In the past there has been a lot of investment in market development schemes, particularly subsidies to lower capital costs, but with little success."

Launched in 2003 with support from the UN Foundation and Shell Foundation, the four-year Indian Solar Loan Programme is a partnership between UNEP, the UNEP Risoe Centre on Energy, Climate and Sustainable Development, and two of India's largest banking groups to establish a consumer credit market for financing solar home systems (SHS) in southern India where the conventional electricity grid is absent or unreliable. The innovative financing arrangement involves an interest rate reduction, market development support, and a process to qualify solar suppliers. The interest rate reduction was phased out during the Programme and today the market for financing solar home systems is on purely commercial terms.

Although the solar home sector was a small, cash-only business in 2003, today the market is growing with more than 50% of sales financed by banks. There are now 20 banks with networks of more than 2,000 branches offering solar financing.

UNEP Programme Manager Eric Usher, who attended the gala award ceremony in Brussels on the evening of 11 April, says the Programme provided a strong market signal, rather than the market distortion that often accompanies larger development projects. Even though the banks did not profit directly from the \$1 million interest rate reduction fund since the benefits were passed on to the customer, they still eagerly promoted solar lending because they saw the opportunity to develop a new credit market. Further, the economics of the solar systems changed only very slightly with the interest rate reduction, so the growth of the market had little to do with the lower cost of systems. It's about access to finance, he says, adding that when banks are motivated to lend to a new sector the barriers to market uptake start to fall.

The UNEP approach was to find banking partners who wanted to develop this sector but needed a small amount of help to get going. "Acting small can sometimes be better than acting big", says Mr. Usher, "and people partner for better reasons with a better alignment between international and national actors."

UNEP has used the success of the Indian Solar Loan Programme to expand into other areas, including solar water-heating loan programmes now underway in Morocco and Tunisia and others in development for Algeria, Indonesia, Mexico and Chile.

For more information on the project see [www.uneptie.org/energy/act/fin/india/](http://www.uneptie.org/energy/act/fin/india/)

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