

MINISTRY OF POWER & RENEWABLE ENERGY
CABINET MEMORANDUM

Cabinet Memo No. 05/2017/PE

Ministry Ref. No. PE/Dev/oa/29/ares P

Implementation of Budget Proposals of 2017

Provision of Interest rate Buy Down Concession for the Loans to be obtained
in installing Rooftop Solar PV Systems

1.0 Background

Approval was requested to implement the project of "Soorya Bala Sangraamaya" which targets to install solar power systems on hundred thousand houses, by the Cabinet Memorandum dated 04.08.2016 submitted by me to the Cabinet of Ministers. Accordingly, the approval of the Cabinet of Ministers was granted by its decision dated 16.08.2016 to implement it considering the environmental, economic and social impact of the project.

The project is being successfully implemented and approximately 15MW of solar power generation systems had been installed around 3,000 houses.

The project of installing solar power systems on the roofs of 1,000,000 houses under the project "Soorya Bala Sangraamaya" is planned to implement in following methods.

- Net Metering
- Net Accounting
- Net Plus

Under these three methods, the Net Metering approach and Net Accounting approach are suitable for the electricity consumers who have upper and medium level of income. These electricity consumer categories have the required financial capability to connect the "Soorya Bala Sangraamaya" project while installing solar power systems on their roof tops. They can invest in solar PV rooftop systems using their own money or obtaining bank loans. But, as the prevailing bank loan interest rates in the financial market are high and low income families are unable to purchase solar PV rooftop systems by obtaining a loan from LKR 200,000 to 400,000. The Net Plus approach has been proposed for such low income families.

By the budget proposal of 2017, GOSL has accepted the promotion of renewable energy generation as a policy. Further, the requirement of provision of low interest bank loans with the intervention of the government has been accepted.

As per the budget proposal No. 411, it has been decided to grant a concessionary interest rate to the electricity consumers who invest for solar PV rooftop systems. The said budget proposal is as follows.

“Budget Proposal no. 411”

To further encourage the transfer to solar energy for households with a monthly electricity bill of over LKR 2,000, I encourage the Banks to introduce a credit scheme to such consumers. Government will bear 50 percent interest cost on a credit limit of LKR 150,000. For this purpose, I propose to allocate LKR 1,500 million.

2.0 Description

Although it has been proposed by the budget proposal to grant a concessionary interest rates for the households having electricity bills more than LKR 2,000/-, monthly electricity bill of 40% of electricity consumers of this country is lower than LKR 300/-. Therefore, as mentioned in the budget proposal, this concessionary loan interest should be provided not for the houses of which the monthly electricity bill is over LKR. 2,000/- but for the houses of which the monthly electricity bill is lower than LKR 2,000/-.

Moreover, at least, LKR 400,000 should be invested for a 2kW solar power system installed in a normal house. Therefore, as declared in the budget proposal, providing concessionary interest for a loan up to LKR 150,000/- is insufficient. Therefore, a discussion on how to implement the said proposal practically was held on 10.01.2017 under the chairmanship of the Secretary, Ministry of Finance, and the participation of the Secretary of my Ministry and the senior officials of both Ministries, the below mentioned proposal is recommended to submit for the approval of Cabinet of Ministers.

3.0 Proposals

I agree with the below mentioned recommendations submitted by the committee comprising of the Secretary, Ministry of Finance, and the Secretary of my Ministry and the said proposals are submitted for the approvals of the Cabinet of Ministers.

- I. Provision of the concessionary interest to all domestic electricity consumers for loans to be obtained for "Sooryabala Sangramaya" programme without limiting it only for the domestic electricity consumers whose monthly electricity bill is over LKR 2,000/-
- II. Provision of the concessionary interest for the loans to be obtained from the Government bank or any private bank.
- III. Increase the limit of the proposed loan amount from LKR 150,000/- to LKR 350,000/- to provide the concessionary loan interest.

IV. 50% of the loan interest rate or maximum concessionary loan interest rate of 6% whichever lesser value will be paid as the concessionary loan interest.

V. Obtaining a Recommendation from the Sri Lanka Sustainable Energy Authority for the provision of interest concession, for the loan facility.

4.0 Approval

I seek the approval of the Cabinet of Ministers to implement the proposal on provision of concessionary interest as per the Budget Proposal 2017, No. 411 to purchase Solar power systems with the recommendations mentioned in the proposals in above 03.

Sgd/Ranjith Siyambalapitiya, MP
Minister of Power and Renewable Energy

Ministry of Power and Renewable Energy
No: 72,
Ananda Coomaraswamy Mawatha,
Colombo 07.

15th February 2017