



United Nations Environment Programme

برنامج الأمم المتحدة للبيئة • 联合国环境规划署
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

PRESS RELEASE

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Indian Solar Market Advances with New Finance from UNEP and Banks

BANGALORE/PARIS, 4 March, 2003 - A major new 7.6 million USD initiative was launched today between the United Nations Environment Programme (UNEP) and two of India's largest banking groups to help 18,000 southern Indian households finance clean and reliable electricity from solar power.

In the southern Indian state of Karnataka, Syndicate Bank and Canara Bank have begun offering new loans in which UNEP is 'buying down' the financing cost of photovoltaic solar home systems. In effect, Indian households will be able to purchase systems at an interest rate of approximately 5 percent compared to the normal consumer lending rates of 11-12 percent. The UNEP programme is made possible with support from the United Nations Foundation (UNF) and Shell Foundation.

"This initiative helps to meet both environmental and development objectives by overcoming a major barrier to increasing the use of renewable energy – access to finance," says UNEP Executive Director Klaus Toepfer.

Many Indian households still rely on inefficient and polluting energy sources such as kerosene, which produces negative health, environmental and social impacts. In Karnataka, even where grid electricity is available, problems of capacity shortages and inconsistent quality plague the power supply. This has led households to look to alternative power supply systems such as solar or diesel generators. Despite high initial costs, solar home systems emerge as an attractive option in the context of costly or unreliable alternatives and escalating grid power tariffs and therefore a growing number of households are turning to solar as a matter of necessity and convenience.

But financing their high initial cost is a major barrier and one where southern India's well-developed banking sector can play a leading role. Canara Bank and Syndicate Bank are credited with introducing many of the most innovative rural financial products in India. Each also finances group lending through linkages with Self Help Groups, and hence can advance loans to the poorest. The UNEP partnership will allow both banks to offer new loan products for the growing renewable energy sector through an extensive and established network of rural branches in the states of Karnataka and Kerala.

By combining two banks and a number of UNEP-qualified solar home system vendors, UNF President Tim Wirth says the programme is a "market-driven approach designed to stimulate competition among vendors and ensure quality products, competitive pricing and reliable after-sales service".

Shell Foundation's President Kurt Hoffman says clean and reliable forms of energy "can improve access to education and communications, protect health and environmental values and promote economic growth – all necessary to alleviate poverty". Hoffman added that such efforts will help to create a future of economic, social and environment prosperity, which is the core of sustainable development.

Background information and a colour photo of a solar home system installation is available on request or can be downloaded from www.uneptie.org/energy/Indian-Solar-Finance.

The UNEP Energy Unit web site is at <http://www.uneptie.org/energy>. The UNEP Collaborating Centre on Energy and Environment web site is at <http://www.uccee.org>.

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