



# THE HARASSMENT OF AN ENTREPRENEUR

The year is 2010, and the place, a factory in a little island called Sri Lanka. Vile machines are harassing an entrepreneur, with gigantic energy bills.

**Luckily, Help is Here!**

Energy efficient equipment are about to replace old money-squandering machines in every office, factory and business! Soon, every entrepreneur will be free of frightening energy bills. Entrepreneurs engaged in businesses of every size and industry can enjoy long-term loans at favourable rates under the RERED Project. If you like to be one of them, call over at any of these lending institutions.

## RERED

- Alliance Finance Company - Sujana Cooray - 011 522 0625
- Bank of Ceylon - Dhammika Muthukuda - 011 244 7802
- Commercial Bank of Ceylon - Sushara Vidyasagara - 011 471 8248
- DFCC Bank - Chandana Dharmawardana - 011 244 2021
- Hatton National Bank - Dilunika Jayasinghe - 011 266 1739
- LOLC - Amith Waduge - 011 588 0875
- NDB Bank - Sumith Peiris - 011 234 7912
- Sampath Bank - Thusitha Nakandala - 011 473 0215

More information about the RERED Project can be obtained from the Administrative Unit of the RERED Project established within the Project Management Department of DFCC Bank. You can call Vidarsha Dharmasena on 011 244 2260 or Chinthika Pathiraja on 011 244 2449 or email us at [proj.mgt@dfccbank.com](mailto:proj.mgt@dfccbank.com). Our website is [www.energyservices.lk](http://www.energyservices.lk).

Renewable Energy for Rural Economic Development (RERED) Project is a Government of Sri Lanka initiative assisted by the International Development Association (IDA) of the World Bank and Global Environmental Facility (GEF) aimed at promoting renewable energy development and demand side management.

Energy related expenses such as electricity and fuel costs reflect a significant part of the operating and production cost of most businesses. Hotels, tea factories, apparel manufacturers, ceramic industries and other energy intensive businesses can achieve significant cost savings by investing in energy saving measures. Further, reducing the carbon footprint helps create a "green" image about a company and helps in winning more business, especially in highly competitive export markets. Although investments in energy efficiency improvements have a quick payback time and attractive side benefits, many companies are unable to make the initial investment necessary due to funding and cash flow constraints.

The RERED Project can help alleviate the burden a business has in making the initial capital outlay for energy efficiency investments. The credit component of the RERED Project consists of several sub-components, one of which is supporting the private sector in implementing energy efficient solutions (reducing consumption) and switching from non-renewable to renewable sources of energy.

Any business operating in Sri Lanka is potentially eligible for financial assistance under the RERED Project. Eight lending institutions – Alliance Finance Company, Bank of Ceylon, Commercial Bank of Ceylon, DFCC Bank, Hatton National Bank,

LOLC, NDB Bank and Sampath Bank extend finance facilities under the RERED credit programme. Finance facilities are available at favourable interest rates with tenures as long as 10 years including a grace period of 2 years.

A business could, for example, use credit funds from the RERED Project to convert furnace oil fired boilers or dryers to be fired using biomass or replace them altogether with biomass fired boilers and dryers; to install variable speed drives (inverters) to large motors to improve part-load efficiency; install power factor correction circuitry to reduce maximum demand (reactive power); install solar roofs, wind turbines, biomass gasifiers or mini-hydro plants to generate its own electricity or for the purpose of net-metering; re-arrange lighting layout within factory/office premises or switch to energy efficient lighting sources to reduce electricity consumption; replace or supplement electric and fuel fired boilers used for water heating with solar water heaters; purchase solar powered water pumps; or to replace inefficient air-conditioning and ventilation units with modern, more efficient units.

Further, the installation of waste heat recovery systems (e.g.: feed water and fuel preheating systems); the installation of solar powered lamps for perimeter and access road lighting; the repairing of

insulations in chilled water pipes, air-conditioning ducts or steam lines; the installing of condensate recovery mechanisms and steam traps; the arresting of steam/compressed-air leaks and replacing incorrectly sized/laid-out ducting or piping with optimal ducting/piping networks, can also be considered for assistance.

Installing smart "Building Management Systems" which minimize energy wastage; the incremental costs involved in the designing and constructing of "Green Buildings", and any greenfield investment involving the utilization of renewable energy to replace or supplement national grid electricity or fossil fuels qualifies for assistance under the RERED Project. The Project can assist lending institutions in appraising complicated energy efficiency proposals submitted by potential clients to ascertain their financial and technical viability.

A business which does not have the in-house technical capacity to carry out an energy audit within its premises can obtain the services of an Energy Services Company (ESCO) to quantify possible savings and likely costs in implementing energy saving measures. A business may directly implement energy efficiency improvements, or engage a reputed ESCO to do so. If an ESCO is to be employed, it is advisable to select an ESCO that is

registered with the Sustainable Energy Authority of Sri Lanka (SEA). Some ESCOs provide risk-shared solutions where energy savings are guaranteed and payment is a share of the realized savings over a period of time, instead of an upfront fee. In such instances, the ESCO can borrow from the RERED credit scheme to cover the cost of implementation. The current list of ESCOs is available on the RERED Project website [www.energyservices.lk](http://www.energyservices.lk).

Either the business itself, or the ESCO, can borrow from the RERED credit scheme to implement an energy efficiency project. Eligible expenses would comprise of costs related to equipment, material, and labour directly linked to the project. Cost of the energy audit carried out can be also included into the project cost in case the recommendations therein are carried out using the loan proceeds. Refinance under the RERED credit scheme is available to the lending institution for a maximum of 80% of the loan.

Interest rates on RERED credit funds are linked to the 3-month Average Weighted Deposit Rate (AWDR) published by the Central Bank of Sri Lanka and is revised at the end of every quarter. The borrower can negotiate the actual rate of interest with the lending institution. The RERED Project does not specify a debt-equity ratio, and it can be decided with the lending institution.

The Renewable Energy for Rural Economic Development (RERED) Project is an initiative of the Government of Sri Lanka and is being implemented with financial assistance from the International Development Association (IDA) of the World Bank and the Global Environmental Facility (GEF) to promote renewable energy development and demand side management. The RERED Project is being administered by an administrative unit setup within the Project Management Department of DFCC Bank.

The RERED Project commenced in the year 2002 with a US\$ 75 Mn credit line from IDA and a grant of US\$ 8 Mn from GEF. Upon successful completion in 2007, the Project was extended until the year 2011 with a further infusion of US\$ 40 Mn in credit funds. The RERED Project is the follow-on to the successfully completed Energy Services Delivery (ESD) Project implemented between 1997 and 2002. Collectively, the two credit lines have assisted in the capacity addition of 165MW to the national grid using renewable sources, including power projects implemented by the private sector. Further, 134,000 off-grid households have been provided with electricity from solar home systems and community based mini-grids under credit and grant assistance from the two Projects.