POWER FINANCE CORPORATION LIMITED

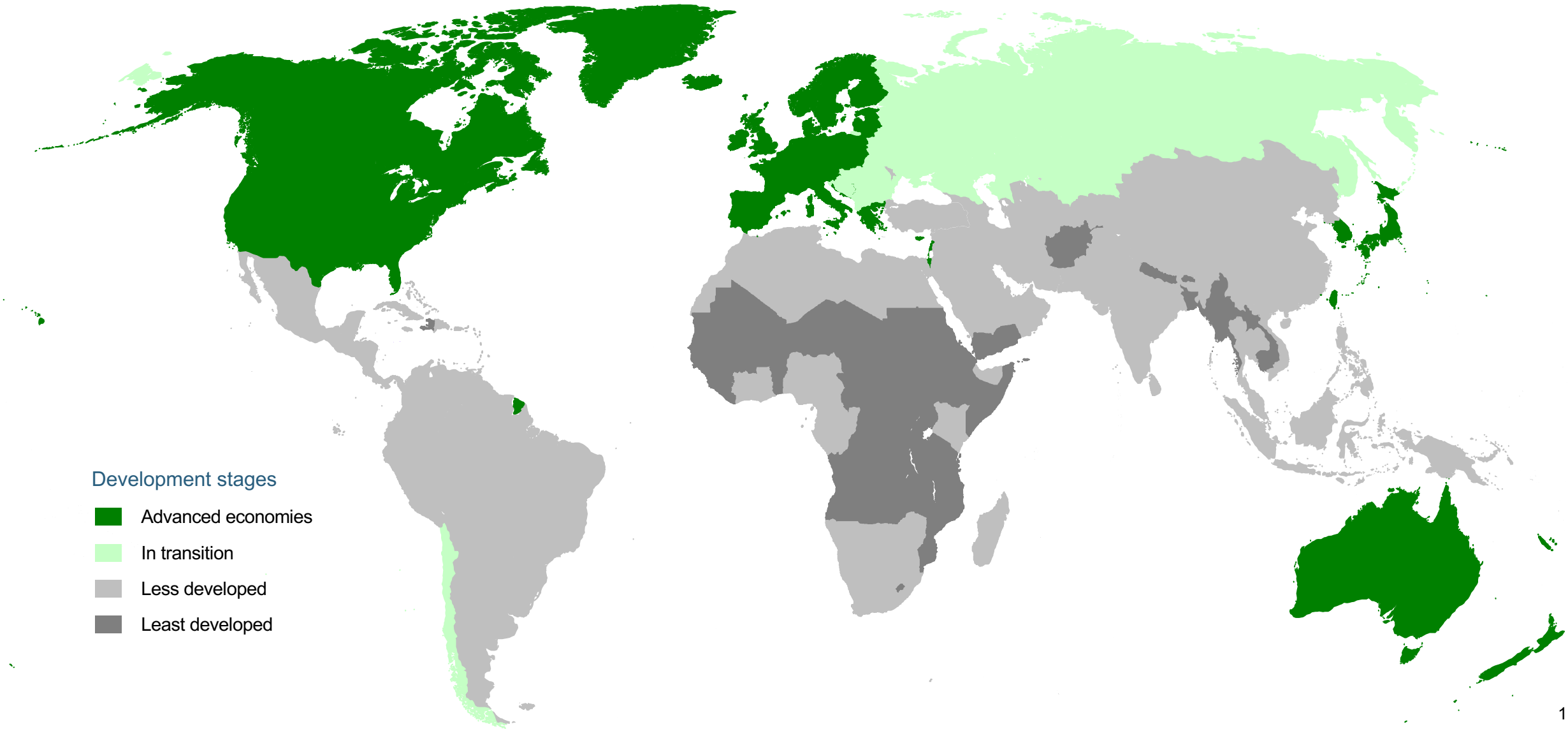
(A Maharatna CPSE)

ICEF: Innovative Finance

Presentation by PFC

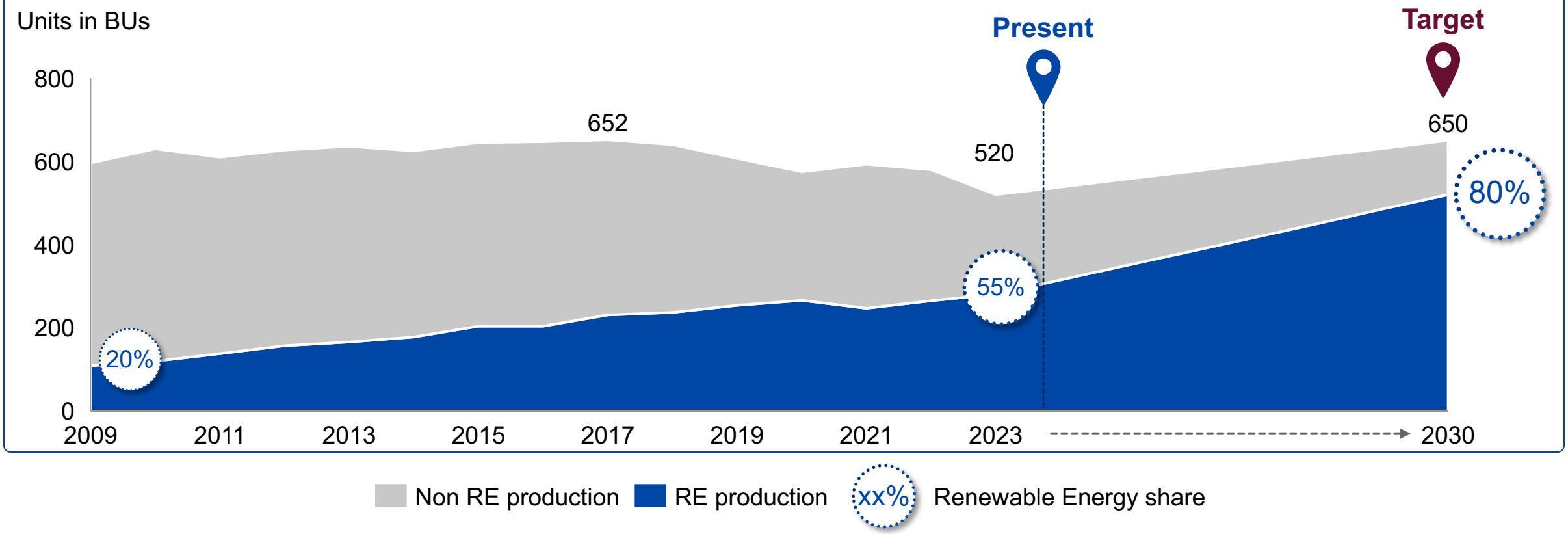
10 October, 2024

Countries, based on their development stage, face unique challenges that define their priorities



Advanced economies like Germany have been focusing on securing a greener energy mix

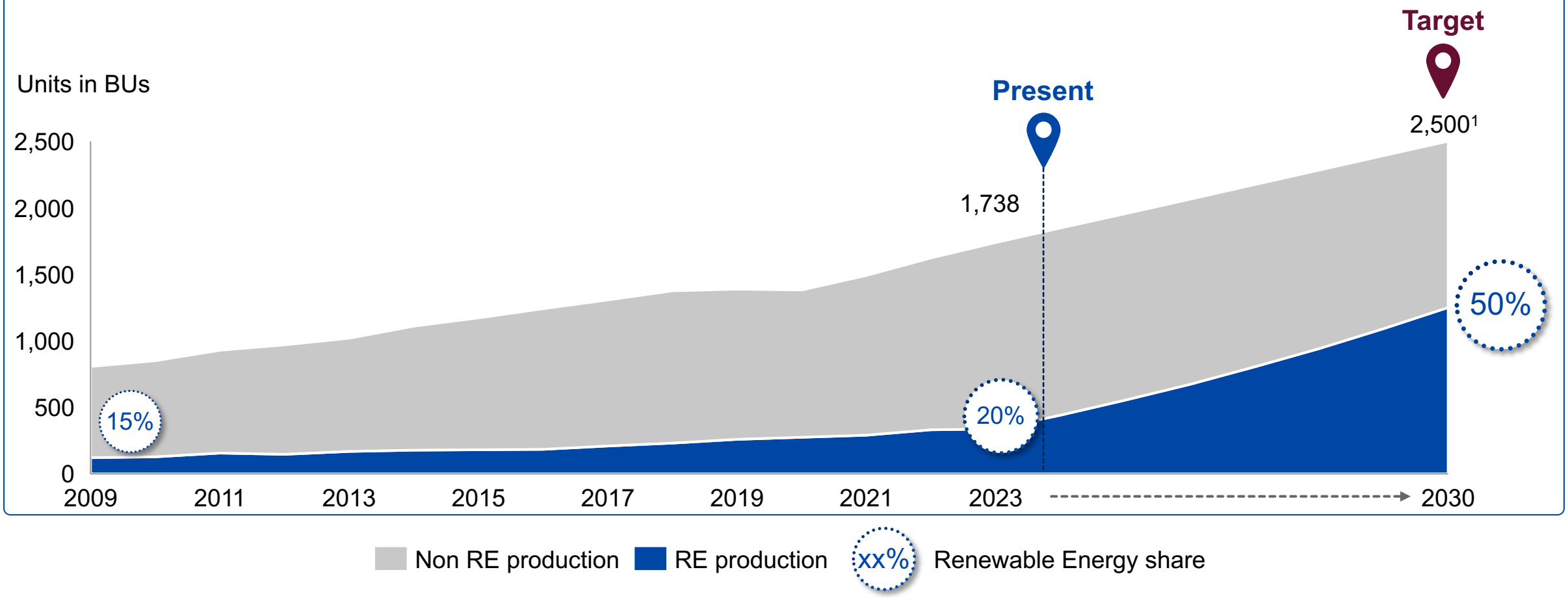
Germany: Electricity production



Source: International Energy Agency, BCG analysis

While developing nations, like India, must balance growing energy demand with sustainability

India: Electricity production



Source: CEA, International Energy Agency, BCG analysis
Note 1: As per various sources, the estimated electricity generation ranges between 2200-2700 BUs

Amidst its multiple development priorities, India is forging a powerful path toward sustainability

Hon'ble PM's vision of Panchamrit is a bold step to meet India's climate targets

1. 500 GW non-fossil energy capacity by 2030
2. 50% installed capacity from non-fossil fuel-based energy resources by 2030
3. 45% reduction in emission intensity of GDP by 2030 (from 2005 levels)
4. 1 Bn tonnes reduction in projected carbon emission during 2021-2030
5. Achieve Net-Zero target by 2070

Achieving the ambitious goal requires addressing the Energy Trilemma

Energy Trilemma

Security:

Ensuring a reliable and adequate supply of energy

Build storage infra to ensure uninterrupted availability of energy

Sustainability:

Decarbonize quickly to meet climate targets

Utilize abundant RE resources and reduce emissions

Affordability:

Keep renewable energy affordable for all

Make RE affordable by sufficient & affordable finance mobilization

However, thermal power remains crucial for India's growing energy needs since:

- Rising base and peak load demands
- RE lacks storage & reliability
- Coal plants' MTL limits ramp down below 50-55%

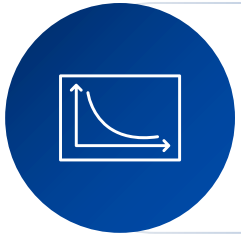
Indian Government is navigating the Energy Trilemma through innovative policy revamps

Renewable Purchase Obligation

Discoms to purchase a minimum % of energy needs though RE sources

Energy Storage Obligation

Energy producers to integrate energy storage systems with RE projects to ensure reliable energy supply



RTC Power and FDRE Power

Bids run to meet peak power demand and supply consistent, dispatchable power

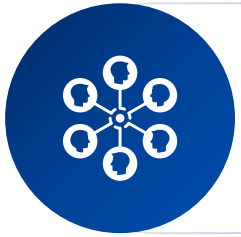
Viability Gap Funding for BESS

Initial outlay of >$1 Bn to develop BESS, reducing capex cost for investors, making such projects viable

… and many more such impactful interventions

BESS stands for Battery Energy Storage Systems

PFC Group has been a pioneer in India's clean energy financing space



India's largest NBFC group

Managing a loan book of ~$123 bn, including ~$12 bn in RE (largest in India)

Leading renewable energy developer

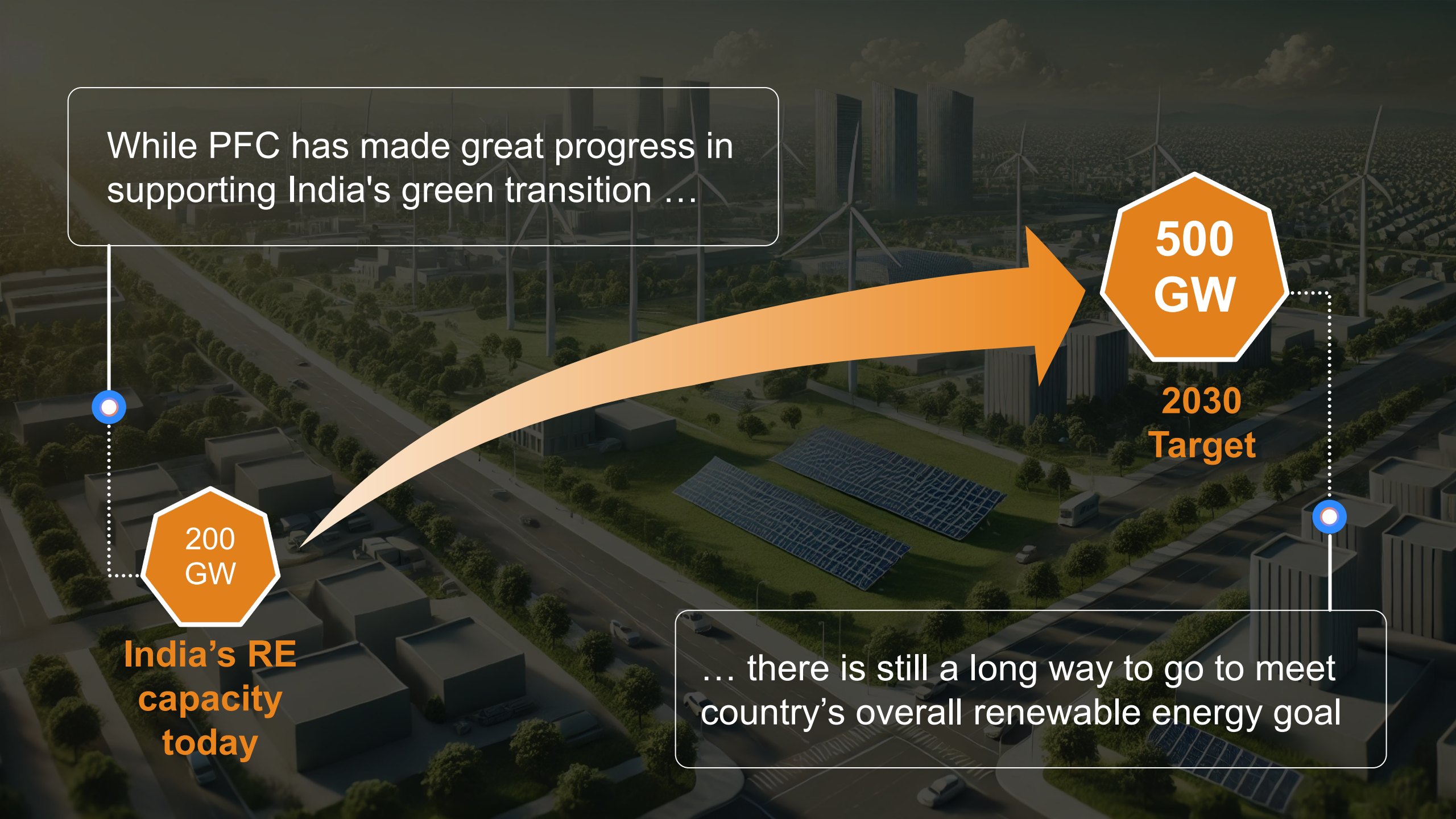
Supported 68 GW of RE capacity in India (More than 1/3rd of India's total RE capacity)

Forging major clean energy partnerships

Signed MoUs worth $28 bn with 20 companies for RE projects during the G20 Summit in 2023

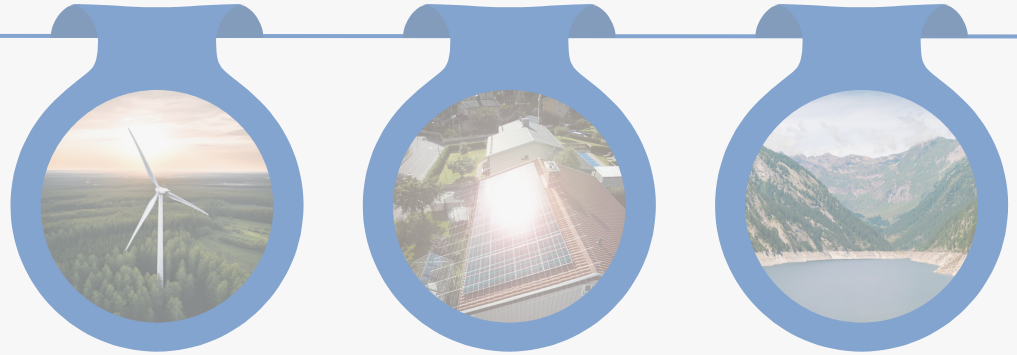
Pioneering uncharted territories

Led innovative financing for EVs (e.g., BluSmart) and India's first off-river PSP project with Greenko


While PFC has made great progress in supporting India's green transition …
500 GW
2030 Target
200 GW
India’s RE capacity today
… there is still a long way to go to meet country’s overall renewable energy goal

To reach 500 GW target, India must accelerate emerging technologies and bring them closer to commercial viability

Commercially Viable technologies



Wind

Solar

Hydro

Emerging technologies not yet commercial

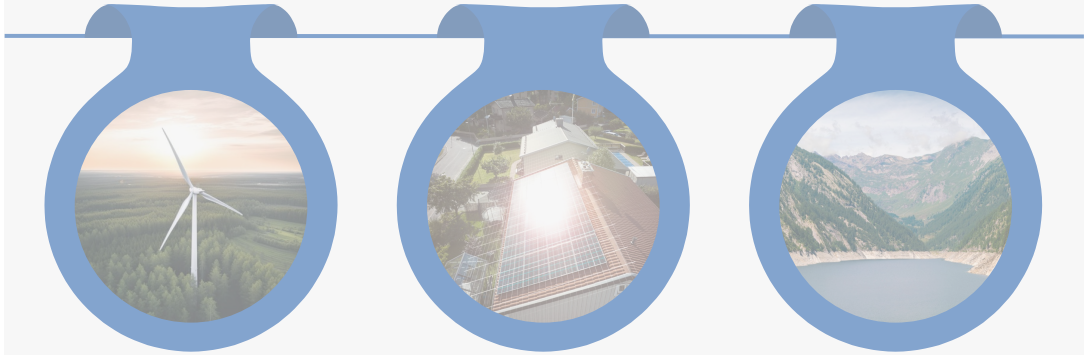
Battery Energy Storage Systems

Offshore Wind

Green Hydrogen

Critical need to meet $70Bn capex for emerging technologies and make them commercially viable

Commercially Viable technologies



Capex required till FY30

$130-150 Bn

Low risk sectors
Funding can be met through traditional financing mechanisms

Emerging technologies not yet commercial

Capex required till FY30

$60-70 Bn

High risk sectors,
Innovating financing models essential to bridge funding gap

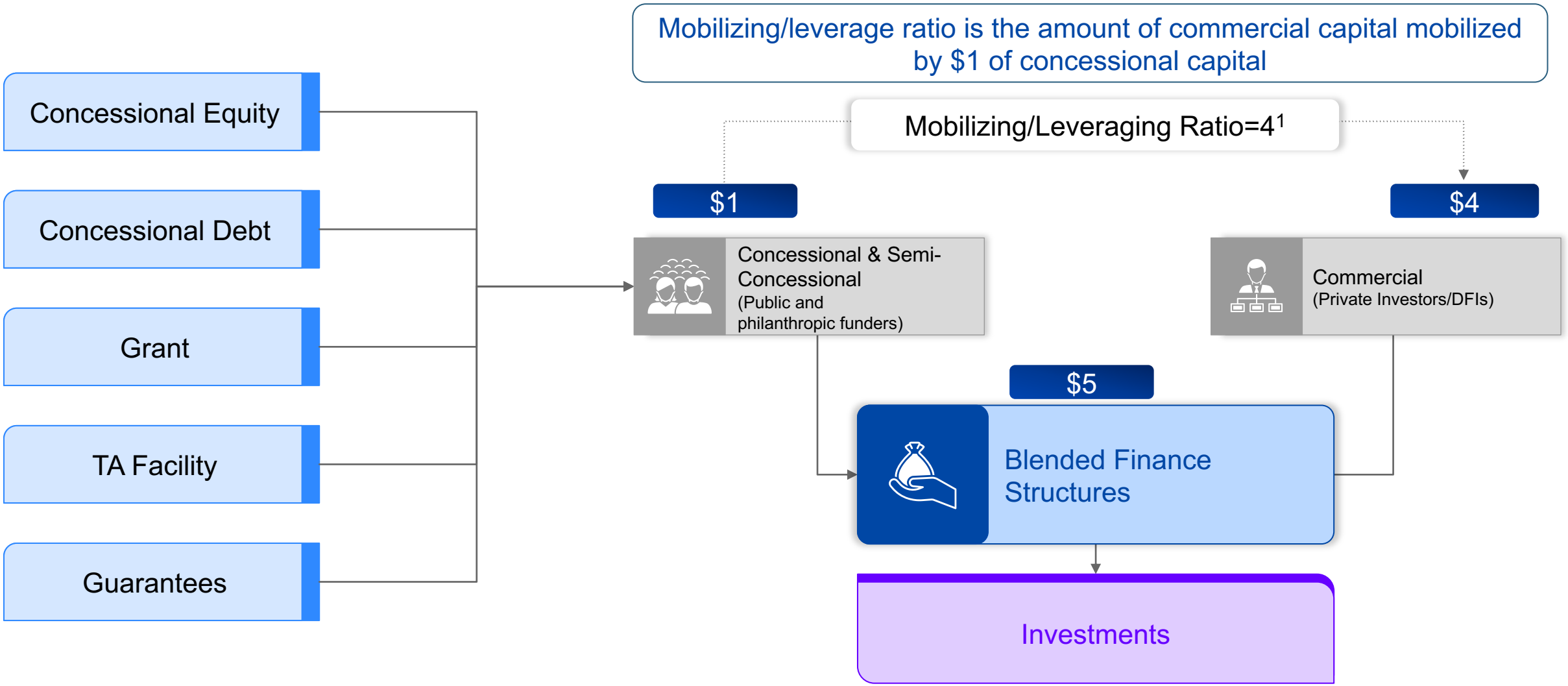
While Govt supports emerging technologies through VGF and PLI, private sector must drive innovative financing models

Govt introduced important measures:

- PLI scheme of $ 2.13 Bn to boost electrolyzer & Green Hydrogen manufacturing
- VGF of $ 930 Mn for setting up offshore wind energy plants
- VGF for BESS, with initial outlay of $ 1.1 Bn

Yet a significant gap remains for emerging technologies to reach commercial parity, requiring further support from private investors

Blended finance: One such innovative financing model that leverages concessional funds to attract private investments in high risk sectors



1. Illustrative

To secure its future energy needs, India must accelerate its renewable energy adoption

However, India's transition to clean energy depends not only on setting ambitious energy goals, but also on finding new and creative ways to fund them

By using innovative financing models like blended finance, we can mobilize funds to drive this transition

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Thank You