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# How Can Small Enterprises in Developing Countries Manage Environmental Compliance?

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# What is the Problem to be Addressed?

- **Demand Side:**
- SME Lack of Awareness of Rooftop Solar Benefits and How to Access Potential Savings
- Env. Compliance Not Related to SME Core Business Activity
- **Supply Side:**
- Financing needed to access Clean Technology
- Lenders unwilling to take SME Credit Risk; they prefer different type of borrower



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# Quick Review of Three Key Concepts

- Rooftop Solar is Pure Hardware Play – the financing cost (interest rate) is the main thing that will make it attractive or not
  - “Case A versus Case B”
- Third Party Role, Renewable Energy Service Company (RESCO)
- CAPEX vs OPEX and Aggregation



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# Barriers to Overcome for SME Rooftop Solar Adoption

- Raise Awareness Through Evidence Creation and large demonstration pilot
- Create a Value Proposition for public learning
- Green Credit Facility
- Domestic Green Investors
- Green Bonds



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# How To Address Barriers?

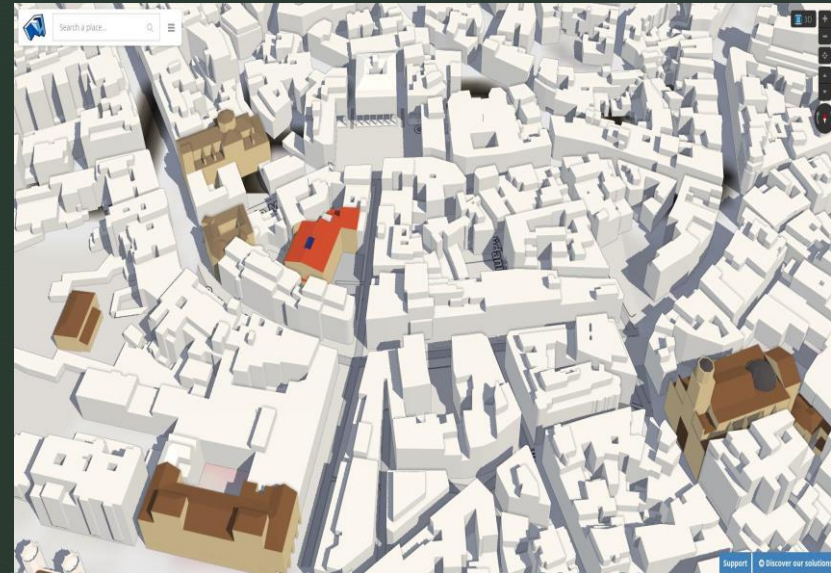
- Energy Efficiency Support to SME, to Avoid Oversizing the Clean Technology
- Adopt Equipment Standards to educate the market
- Create Sample Contracts and put on the energy or environment Ministry website
- Involve Electricity Distribution Company, RESCOs and Lenders in the Pilot Project



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# A Closer Look at RESCOs as Aggregators for SME Rooftop Solar

- Assume CAPEX model will not suit most SMEs
- “Portfolio Approach” under OPEX model
- Bank is comfortable with RESCO as the borrower
- Raise awareness of underlying Power Purchase Agreements with SMEs
- Various Credit Enhancements Will Be Required



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# Four Variations of Third-Party Renewable Energy Service Company (RESCO)

## OPEX Models:

- BOOM
- BOOT
- LEASE
- ROOFTOP RENTAL



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# CONCLUDING THOUGHTS

- High Cost of Obtaining Data for RESCOs
- Local Authorities Can Create Data Room and conduct a tender among qualified RESCOs
- Public or Climate Finance is needed for De-Risking all the contracts
- Payment Security Mechanism
- Credit Guarantee Mechanism
- Pooling Risks through Aggregation is a low-cost way to additionally de-risk
- Capacity Building needed for all parties
- Big Role for Local “Think Tanks Consortium” to create a Pilot Project and Evidence of Benefits

