



# Climate Financing at DFCC Bank, Sri Lanka

# DFCC BANK PLC

DFCC Bank, was set up in 1955 as Sri Lanka's first Development Finance Institution. The bank is renowned for its project financing and SME financing expertise.

Government has always held a minority ownership stake. The Bank's shares have been listed since 1956.

In October 2015, DFCC Bank and its commercial banking subsidiary amalgamated - DFCC is now a full service Licensed Commercial Bank.

Market capitalization of LKR 34.5 billion (USD 230 million) - 1.26% of the Colombo Stock Exchange

Total Assets LKR 290 billion (USD 1.93 billion)

Rating - National: AA-(Ika) Fitch; International: B+ (Fitch) and B(S&P)

**Vision : "To be the leading financial solutions provider sustainably developing individuals and businesses"**

# DFCC Bank & Climate Finance

Climate Finance in Sri Lanka has mainly consisted of financing private sector Renewable Energy (RE) generation and Energy Efficiency (EE) initiatives.

The impetus for financing came through two landmark projects – *Energy Services Delivery (ESD) Project (1997-2002)* and *Renewable Energy for Rural Economic Development (RERED) Project (2002-2011)* funded by *World Bank & Global Environment Fund* and implemented by *DFCC Bank*.

ESD and RERED projects funded 218.7MW of grid connected mini hydropower and 10.8MW of wind power capacity.

The off-grid component of the project provided electricity close to 140,000 households through solar homes systems and community based micro-hydro systems.

## Pioneering role funding RE Projects

- 1984 - An Off-Grid Solar Home System assembly plant
- 1996 - Sri Lanka's 1<sup>st</sup> private sector RE generation project, a 0.96 MW mini-hydro
- 2010 - Sri Lanka's 1<sup>st</sup> private sector Wind project (10MW)
- 2016 - Sri Lanka's 1<sup>st</sup> private sector grid scale Solar project (10MW)
- 2016 – Sustainable Biomass based power project (4MW)

## DFCC Bank is currently managing a EUR 90m European Investment Bank credit line for SME & Green Energy

- 56 MW of capacity will be added through grid connected:
- hydro (22MW)
- wind (20MW),
- solar (10MW)
- sustainable bio-mass(4MW) projects.

# Domestic Sources of Climate Finance

## Bank financing - Own funds and/or from Credit Lines

- EIB SME & Green Energy credit line was fully allocated in 2015.
- E-Friends (Revolving Fund) to be launched – only for SMEs
- ***However, ending of credit lines did not lead to a slow down in RE investment!***

## Venture Capital

- CF Ventures, **Lanka Ventures (LVL)** provided equity/quasi-debt for RE projects
- LVL, now an affiliate, was set-up by DFCC Bank as one of Lanka's first Venture Capital firms

## Private Debt/Preference Share/Equity issues

- by RE Companies/Dedicated Funds (e.g. **LVL Energy Fund**)
- DFCC has invested in LVL Energy Fund

## Listing on Colombo Stock Exchange

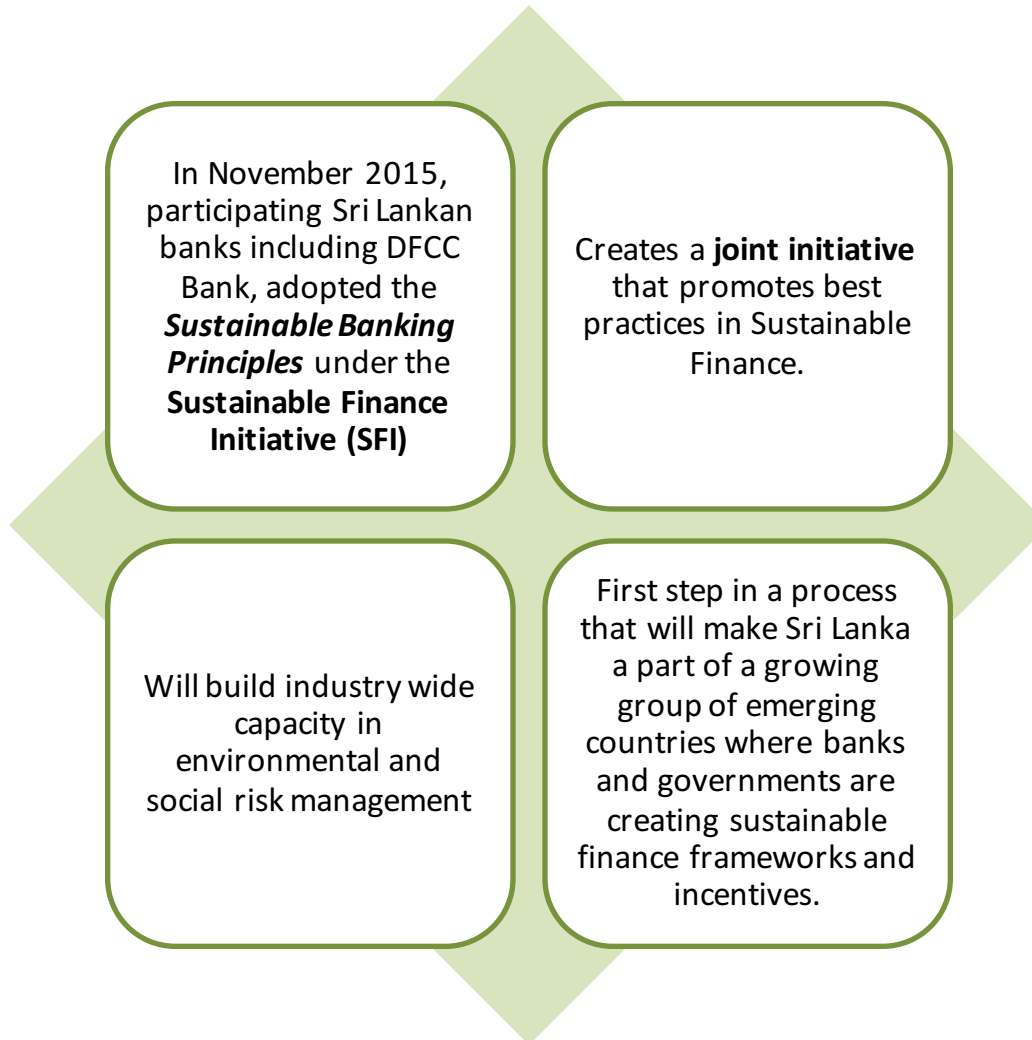
- **DFCC managed the 1<sup>st</sup> listing of an RE IPP** - Vallibel Power Erathne PLC in 2006
- Other RE firms have since been listed

## Advantage of Domestic Financing

- **no exchange risk**
- However, domestic long-term debt financing is **available only on variable rates** (other than from the EIB credit line) - Interest rate risk could be absorbed due to high feed in tariffs. However, the current policy intention is to go for auction based tariffs. Lack of fixed rate LKR financing is a drawback

# Sustainable Banking Principles

## - an Industrywide Commitment



# Sustainable Banking Principles

Business Activities:  
Environmental and  
Social Risk  
Management

Business  
Operations:  
Environmental and  
Social Footprint

Rights of the  
respective  
stakeholders

Financial Inclusion

E&S Governance

Promote “Ethical  
Finance”

Promote “Green  
Economy” growth

Capacity Building

Collaborative  
Partnerships

Promote  
transparency and  
accountability

No “race to the  
bottom”

# Thank You for Your Attention!

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