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IFC and Com Bank upgrade renewable energy projects

Investing in wind power in emerging markets

by Gamini Warshamana

International Finance Corporation (IFC) and Commercial Bank of Ceylon (CBC) signed an agreement to upgrade renewable energy projects in Sri Lanka. According to the agreement IFC will share 50 percent of the risks of the renewable energy projects undertaken by the CBC.

Initially the IFC will cover US$ 15 million of the renewable energy projects of the commercial bank. This includes over US$ 10 million micro hydro projects implemented and two wind power projects of 10 and 20 MW to be implemented in the Puttalam district.

IFC regional Manager Per Kjellerhaug said that with the increase in demand the IFC assistance to the sector will be increased. IFC plans to invest more than $ 3 billion in renewable energy and energy efficiency projects over the next three years, he said.

This initiative is part of IFC's strategy to help the private sector to mitigate climate change impacts while continuing to meet significant infrastructure gaps in the South Asia region. The project is expected to produce economic benefits for local project developers including small and medium enterprises.

IFC will share its financing, project structuring capability and benchmark data for renewable energy technologies with Sri Lanka. IFC will also help enhance the bank's ability to appraise projects using these technologies. An advisory component funded by government of Ireland and Japan and Global Environment Facility will help the CBC to build the capacity and skills needed to implement the program.

Managing Director of CBC Amitha Gooneratne said "This partnership with the IFC to promote renewable energy in Sri Lanka is a significant event in the history of the CBC. Apart from financial services, CBC gives returns to the country and we are keen on environment".

"We started our renewable energy projects in the 1990s and during the period we have launched nine micro hydro projects and one biomass project that can generate 35 MW. Of them 22 MW project have already been commissioned, he said.

Gooneratne said that most of the prime hydro power potentials in the country have already been exploited. The remaining are subprime projects where the risk is high. Other renewable energy options that be CBC has focused are wind and bio-mass, which are both risky ventures. Climate changes and other technical factors that would obstruct the power generation can thwart revenue flows of these projects and so the bank will have to face credit risk. Under the agreement the IFC shares 50 per cent of such risks, he said.