

Promoting Market Transformation for Energy Efficiency in Micro, Small & Medium Enterprises

Background

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades with 28.77% share in the country's GDP, 40% share in the overall exports and 45% share in the overall manufacturing sector of the country during 2015-16. As per annual report -2017-18, published by the Ministry of MSME, there are close to 19 million MSME units which falls under the manufacturing industry. A significant portion of these units are energy intensive, with close to 30-40% of the total production cost catering to energy. This provides an enormous scope to transform these units to become more cost competitive through accelerated adoption of energy efficient technologies and practices. Most of the units lack financial capability to invest and adopt energy efficient technologies. In addition, the major barriers identified for lower penetration of energy efficiency in the sector, are lack of awareness, lack of skilled manpower and lack of cluster-level institutional set-up to support the units to adopt and operate the technologies efficiently.

Project

Working with an aim to overcome the existing barriers of implementation of energy efficiency in the Indian MSMEs, the project "Promoting Market Transformation for Energy Efficiency in Micro, Small & Medium Enterprises" is supporting the industry to become energy efficient and cost competitive. The project is under the Global Environmental Facilities' (GEF) programmatic framework for energy efficiency in India and includes United Nations Industrial Development Organisation (UNIDO) as the Implementing Agency (IA) and Ministry of MSME as the Lead Executing Agency (EA). The key Executing Partner for the project is Energy Efficiency Services Ltd (EESL). Small Industrial Development Bank of India (SIDBI) and Bureau of Energy Efficiency (BEE) are the guiding agencies for the project. The project targets to accelerate adoption of energy efficient technologies in the sector by removing its key barriers. The project aims to deploy 33-35 technologies in selective MSME clusters in the country which have maximum

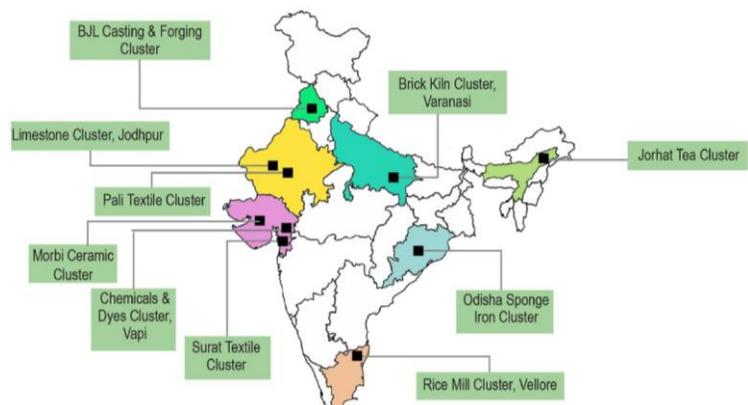
possibility of replication and potential to improve the energy baseline of fellow MSMEs units. Aiming at market transformation, the project will adopt various business models of ESCO (Energy Servicing Company) where the MSME unit is expected to pay-back to the investor from the monetized energy saving in a period of time.

Services to the industry

The project, with an overall objective, of transforming the market for energy efficiency in the MSMEs, offers a basketful of benefits to the industry:

- ▶ 30 – 35 energy efficient technologies to be identified across 10 MSME clusters, which will be supported by the project for large scale adoption
- ▶ The project aims to adopt innovative business models of ESCO (Energy Servicing Company) where the MSME unit is expected to pay-back to the investor from the monetized energy saving in a period of time.
- ▶ Expected price reduction of the selected technologies through demand aggregation for energy efficient technologies in the cluster.
- ▶ Government procurement for the selected energy efficient technologies leading to improved presence of service provider in the cluster, enhanced after sales services and ensured performance guarantee.
- ▶ Complete technical assistance towards implementation of these technologies.

Clusters under the project



Benefits for the industry

- ▶ Monetary savings to the range of 5-20% due to adoption of energy efficient technologies
- ▶ Minimal capital investment by unit
- ▶ Innovative business model for financing the procurement of technologies.
- ▶ Free technical assistance
- ▶ Reduced price of technology through demand aggregation
- ▶ Improved presence of local service providers

Steps to join the project

- ▶ Contact DESL or its local representatives for project information and updates
- ▶ Submission of duly signed "Expression of Interest" form, to be circulated in due course
- ▶ Participation in project meetings for updates
- ▶ Agreement to the project terms & conditions by signing a MoU with EESL.

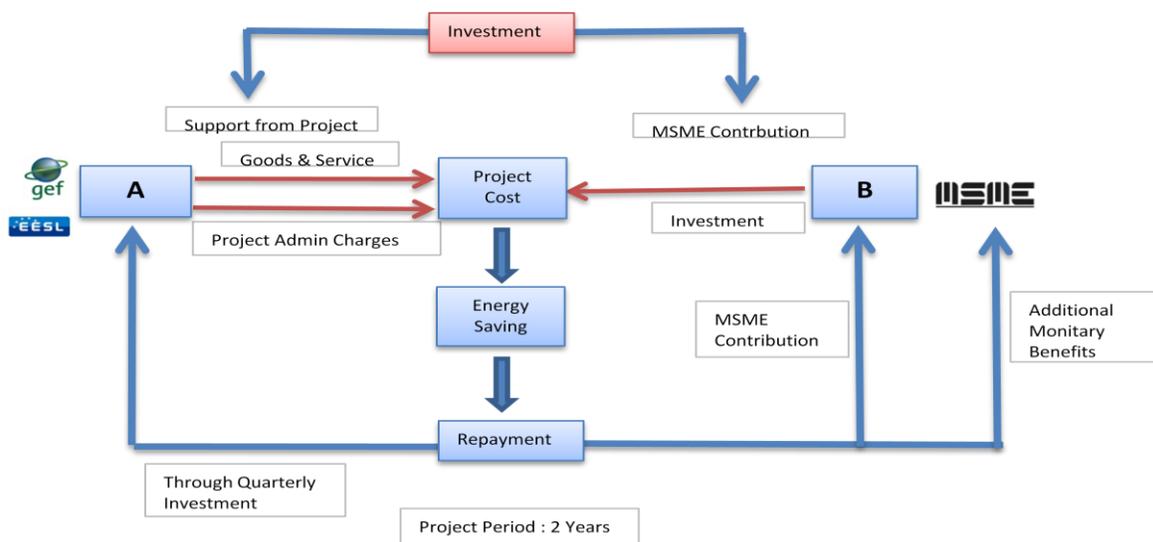
DESL as the project management consultant:

EESL has appointed Development Environenergy Services Limited (DESL) as the project management consultant and field level technical agency for the following clusters:

- ▶ Surat Textile Cluster
- ▶ Ankeleshwar Chemical Cluster
- ▶ Jorhat Tea Cluster
- ▶ Howrah Wire Drawing & Galvanizing Sector

DESL is a reputed consultancy organization in India, having over 18 years of experience in implementing energy efficiency projects and operates from their offices in Delhi and Ahmedabad.

Business Model for Demonstration of Technologies



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