

Guidelines for Energy Efficiency- Grant Mechanism REEEP-GREEN

Rastriya Banijya Bank Limited

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Disclaimer

Abbreviations

AEPC	Alternative Energy Promotion Centre
BMZ	Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development) ()
DEA	Detailed Energy Audit
EE	Energy Efficiency
FC	Financial Cooperation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GREEN	Green Recovery and Empowerment with Energy in Nepal
IGEA	Investment Grade Energy Audit
ISO	International Organization for Standardization
NEA	Nepal Electricity Authority
O&M	Operation and Maintenance
REEEP	Renewable Energy and Energy Efficiency Programme
RBBL	Rastriya Banijya Bank Limited
RE	Renewable Energy
TEA	Targeted Energy Audit
TC	Technical Cooperation
VAT	Value Added Tax
WECS	Water and Energy Commission Secretariat

1. Purpose of the Grant

Energy efficiency has become an established topic in Nepal and is considered an integral part of the sustainable energy mix. The adoption of a national energy efficiency strategy and the preparation of a national energy conservation bill are significant milestones in promoting energy efficiency in the country. The government's mandate to the Alternative Energy Promotion Centre (AEPC) as the nodal agency for promoting energy efficiency reflects its commitment to harnessing its potential. Although considerable awareness has been raised among industrial and commercial enterprises about the benefits of energy efficiency, there is still a large gap between the potential and achievements in energy conservation due to low investment in EE measures.

Under the Renewable Energy and Energy Efficiency Programme - Green Recovery and Empowerment with Energy in Nepal (REEEP-GREEN), Rastriya Banijya Bank Limited (RBBL) has signed a financial agreement with GIZ to establish EE financing pipeline to support industries and enterprises to implement identified energy efficiency measures through partial grant support. The grant is being made available under REEEP-GREEN, a multi-donor action executed by the Ministry of Energy, Water Resources and Irrigation and cofinanced by the European Union and the Federal Ministry of Economic Cooperation and Development (BMZ). The project is being supported by German Development Cooperation – GIZ on behalf of the German Federal Ministry of Economic Cooperation and Development (BMZ). Under the project, industries and enterprises will be supported with partial grant support in implementing energy efficiency measures with significant saving potential, following circular economy and Decent Work approach. These grant-supported measures will serve as demonstrations of concept to develop business cases for loan and blended financing supported interventions in realizing EE in industries and enterprises in the public and private sectors. In the following section, details on the application process, eligibility criteria, eligible measures, grant amount & grant amount calculation, verification of implementation and grant disbursement are presented.

2. How to Apply for a Grant

In order to apply for the Grant under REEEP-GREEN, follow the steps that are listed below:

- 1) **Go through the procedures.** [section 3]
- 2) **Find out whether you and your project meet the eligibility criteria.** [section 4]

- 3) **Fill in the Application Form.** [use the attached format]
- 4) **Send the completed Application Form with annexes to RBBL.**
The address is indicated in the Application Form.
- 5) **For any further support,** please contact:

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3. General Procedure

The general procedure from application to grant disbursement is illustrated in Figure 1 below. For each step the responsible institution is indicated in the grey part of the box.

Figure 1: General Procedure from Application to Grant Disbursement

Application Submission	• Company
Eligibility Check	• RBBL
Decision on Grant/Information to Client	• Grant Committee (RBBL)
Implementation	• Company
Verification	• Grant Committee (RBBL)
Grant Disbursement	• RBBL

Note:

1. Throughout the grant disbursement process, RBBL will seek technical advisory support from GIZ The final decision on acceptance of grant application, grant amount and grant disbursement decision will solely rest on RBBL.
2. *Grant committee* will consist of authorized representatives of RBBL

- Step 1:** The company (applicant) fills in the *Application Form* for a project, attaches all necessary annexes and submits it to RBBL.
- Step 2:** RBBL conducts an eligibility check.
- Step 3:** RBBL evaluates the project and takes the decision on grant allocation and the grant amount. RBBL will take technical advisory services from GIZ as necessary. A letter of acceptance is signed with a clause indicating that the grant money shall be released subject to the project completion. RBBL informs the client about the outcome of the evaluation through an approval or rejection letter.
- Step 4:** The company implements the approved measure(s), installing and commissioning the equipment received from equipment/technology suppliers.
- Step 5:** Authorised representatives of the Grant Committee will verify the installed measures –through a technical expert on-site visit. RBBL will seek for technical advisory service from GIZ as necessary.
- Step 6:** A *Grant Contract* is signed between RBBL and the company and the grant money is disbursed.

4. Eligibility Criteria

In order to successfully apply for a grant, the following eligibility criteria and requirements must be fulfilled.

4.1 Applicant Eligibility

4.1.1 Eligible Applicants

- a) Industrial enterprises established according to
 - the *Industrial Enterprise Act 2076 (2020 AD)* or
 - the *Companies Act 2063 (2006 AD) with all amendments*
- b) Industrial enterprises that comply with the 'Decent Work practice and environmental standards, **prescribed by RBBL.**
- c) DEA/ IGEA carried out under REEEP-GREEN or DEA/IGEA/TEA carried out by certified energy auditors* listed in the energy auditor roster at RBBL. The DEA/IGEA should be conducted in accordance with Detailed Energy Audit (DEA)/ Investment Energy Audit (IGEA) Report Format that is in line with the energy audit

guidelines for industrial/commercial sectors: published by WECS, BS 2077 (Exhibit-1). In the case of TEA, the audit should be carried as per the guideline prescribed by RBBL which aligns with the guideline published by WECS, BS 2077 (Exhibit-2).

*[*Certified energy auditor: Certified to have attended energy auditor training of 03-Weeks from a credible institution such as Energy Efficiency Centre, Federation of National Chambers of Commerce and Industry (FNCCI) under GIZ supported Nepal Energy Efficiency Programme (NEEP); Institute of Engineering (IOE), Nepal; Environment Sector Programme Support (ESPS), DANIDA; or any other internationally recognized institution for energy auditors training]*

- d) The energy audits that have been conducted before 01 July 2022 will not qualify.
- e) Industrial enterprises that sign a self-declaration of not having breached any of the relevant Nepalese legal codes of conduct:
- *Asset (Money) Laundering Prevention Act 2064 (2008 AD)*
 - *Labour Act 2074 (2017 AD)*
 - *Labour Regulation 2075 (2018 AD)*
 - *Child Labour (Prohibition and Regulation) Act 2056 (2000 AD)*
 - *Environmental Protection Act (EPA) 2076 (2019 AD)*
 - *Environmental Protection Regulations (EPR) 2077 (2020 AD), and*
 - *Not being blacklisted by Credit Information Bureau of Nepal, and*
 - *There is no legal case pending against the industry in the Labour Court or any other court of Nepal.*

4.1.2 Ineligible Applicants

- a) Industrial enterprises that are involved in:
- production of weapons, ammunition, arms, military or police equipment, and equipment or infrastructure which result in limiting people's individual rights and freedom (i.e. prisons, detention centres of any form) or in violation of human rights
 - production of gambling and related equipment
 - tobacco related products manufacturing, processing or distribution
 - activities involving live animals for experimental and scientific purposes insofar as compliance with the "Council of Europe's Convention for the protection of vertebrate animals used for experimental and other scientific purposes"
 - activities which give rise to negative environmental impacts that are not largely mitigated and/or compensated

- b) Industrial enterprises that do not comply with the 'Decent Work practice and environmental standards', prescribed by RBBL.

4.2 Eligible Measures

- a) Eligible measures, are measures proposed by:
- a detailed energy audit/investment grade energy audit/TEA conducted under the REEEP-GREEN project, or
 - a detailed energy audit/investment grade energy audit/TEA conducted by Certified Energy Auditor (see section 4.1.1.C) and comply with Detailed Energy Audit (DEA)/ Investment Energy Audit (IGEA) Report Format that is in line with the energy audit guidelines for industrial/commercial sectors: published by WECS, BS 2077 (Exhibit-1). In case of Targeted Energy Audit (TEA) the audit should be carried as per the guideline prescribed by RBBL which aligns with the guideline published by WECS, BS 2077 (Exhibit-2).
 - The energy audit report must provide specific energy saving figures and simple payback period for each measure
- b) Measures are only eligible for grant, if there are no additional EE subsidies available for the same measures.
- c) Grant will be provided for only the new measures to be implemented through the grant.
- d) No second-hand equipment and machinery is eligible.

4.3 Nature, Scope and Amount of Grants

- a) The grant amount is calculated as a percentage of the total final and verified investment cost of each project (see Chapter 4.5 on verification).
- The grant rate is:
 - 35% for small companies and cottage industries;
 - 25% for medium sized companies;
 - 20% for large companies.

(For the determination of the company size (small, medium, large), the national classification according to the Industrial Enterprises Act 2076 (2020 AD) is applied.)

- Industrial enterprise holding an ISO 14001 certificate and/or an ISO 26000 certificate will receive an additional grant of 2% of the investment amount for each certificate.
- b) The minimum investment amount of projects applying for grant is NPR 500,000.
- c) The maximum grant amount that can be received by one company is NPR 10,000,000. The application for different measures and at different time by one company is possible, but the cumulative grant amount for the particular company is capped at NPR 10,000,000.
- d) Eligible investment costs:
- The following costs are eligible (included costs): technology, equipment and machinery, shipping, installation & commissioning costs.
 - An additional grant will be provided for conducting DEA/IGEA/TEA capped at NPR. 30,000, NPR. 40,000 and NPR. 50,000 for small, medium and large-scale industries respectively that undertake energy audit independently and comply with the criteria mentioned in this guideline.
 - The following costs are not eligible (excluded costs): Customs duty, VAT, project preparation and management costs.

4.4 Application Process

4.4.1 Applicant's responsibility

- Should ensure that DEA/IGEA/TEA has been conducted in its facility
- The Applicant has to fill in the Grant Application Form prescribed by RBBL and submit it with the following annexes:
 - Energy audit report
 - Financial offer/s from equipment suppliers with justification on supplier selection.
 - Latest financial audit report
 - Declaration of Undertaking

- Application should be submitted by the company with investment plan for the project under consideration.
- Only if all documents are submitted and all information asked for in the application form is provided, the application is considered as complete.

4.4.2 RBBL's responsibility

- Should ensure that the application submitted by the applicant is as per the prescribed format
- Check for completeness of application based on eligibility criteria (4.1 & 4.2)

(If applicable, further documents justifying the economic and technical feasibility of the project, compliance with, 'Decent Work practices and environmental standards prescribed by RBBL, technical project descriptions, ISO 14001 and ISO 26000 certificates should be requested).

- Check whether the applicant demonstrate the project's technical feasibility, cost-effectiveness, and long-term sustainability.
- Place an emphasis on projects that contribute to reducing greenhouse gas emissions and support energy-efficient technologies and practices.
- Informs the applicant whether the request for grant has been accepted or rejected.

Order of acceptance of applications:

- The principle of “first-come, first-served” (FCFS) is executed/practiced on the incoming applications.
- Grants are given out to the companies until the total Grant amount stipulated for the programme is available.
- The date that shall be considered as date of receipt of grant application will be the date of receipt of the completed application.

4.5 Verification

4.5.1 Applicant's responsibility

- Industrial enterprises have to provide pictures of the installed equipment and machinery and notary certified tax invoices.

- Pictures and notarised invoices should be both in hard as well as electronics copy.
- Provide access to the representative/s of the grant committee to visit its industry and make assessment of installed EE measures. If felt necessary, the industry should allow representatives to have complete access to the entire industrial facility and original copies of the required documents.

4.5.2 RBBL's responsibility

- Confirm that the applicant has submitted all required documents, including notary certified final tax invoices and installation pictures.
- Installation of the equipment and machinery as well as original invoices is to be physically verified at the company by authorised representative/s of the Grant Committee.
- Review monitoring systems in place to track energy consumption, energy efficiency measures implemented, and performance indicators.
- For all projects, compliance of, 'Decent Work practice and environmental standards', developed for the grant mechanism is to be verified.
- Ensure that the project aligns with the program's objectives, target sectors, and geographic boundaries.
- The grant shall be disbursed only if the EE measure/s have been implemented as proposed in the DEA/IGEA/TEA report.
- The grant shall be disbursed after successful verification and invoice checking.
- If the final costs of the investment are lower as initially provided in the application, the grant amount shall be revised accordingly.
- Only for projects that are implemented and verified before 30.06.2025 will be eligible for grant (the date may be extended with the extension of the project period).

Disclaimer

- a) There is no legal entitlement of applicants to receiving a grant.

- b) RBBL can reject applications without stating any reasons.
- c) If deemed necessary, RBBL can inspect the implemented measure/s financed through the grant mechanism at a later point of time as well.
- d) The ultimate responsibility in respect of the acceptance or refusal of grant application and grant disbursement rests with RBBL.