

End-user Subsidy Lab (EUS Lab): PURE DSS Webinars

Introduction:

Affordability is a multi-faceted concept and is just one of many potential barriers to the uptake of Stand Alone Solar Solutions (including PURE Technologies). End User Subsidy programs have been proved to be effective interventions that can be taken to improve uptake.

Although PURE markets are still nascent and just a handful of PURE subsidy¹ programs are active, subsidy-based programs are playing a critical role in building the market and enabling companies to reach more people with a wider array of off-grid solutions including solar water pumps and solar fridges.

Figure 8 - Sales volumes of solar water pumps in Kenya

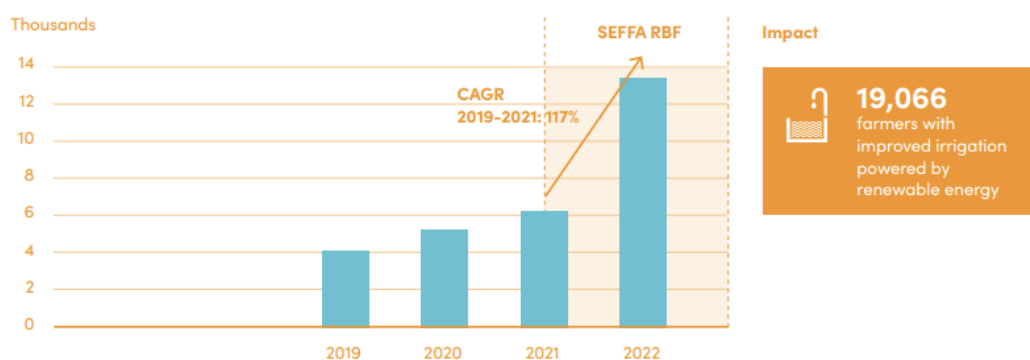


Figure 1: Example of sales volumes of solar water pumps in Kenya considering before and after subsidies applied (Source: GOGLA, 2023 with data provided by EnDev²).

Similarly, a growing number of stakeholders are in the process of designing and conceptualizing demand-side subsidy (DSS) programs aiming to accelerate the scaling up uptake of PURE appliances.

Our specific focus for the webinars is on DSS, to address affordability gap, but it's understood that it is within the holistic context of several other factors that contribute to accelerate overall uptake. PURE appliances expensive assets in a price-sensitive market. The concept of 'affordability,' however is not only a function of level of purchasing power of end users and 'prices of products and services but also household and SMEs characteristics, market maturity, cultural norms, seasonality of income and a range of other factors.

For PURE appliances, affordability challenges can be the (lack of) ability to pay the up-front price, lack of access to loan products, to pay a loan deposit or strict collateral requirements, high interest rates, to pay back a loan at regular or seasonal intervals, or within a certain timeframe, or to pay the expenses of operating the equipment.

Each of these specific PURE affordability challenges can be solved for by any of these three subsidy mechanisms:

¹ A financial benefit to individuals or entities that reduces end user affordability barriers to the use or ownership of (in this case) electric agricultural equipment. 'Demand-side' refers to the buyer's side of a seller-buyer relationship

² [How-Results-Based-Financing-is-driving-energy-access-and-powering-productivity.pdf \(gogla.org\)](https://www.gogla.org/How-Results-Based-Financing-is-driving-energy-access-and-powering-productivity.pdf)

- (1) A cost reduction, whereby the total cost of buying or using the equipment is less than it would be at market rate,
- (2) A structural change in cost or payment terms that spreads out smaller payments over time, or
- (3) Risk mitigation to either an end-user or lender, in order to enable a loan or reduce cost of interest.

We consider these all to be subsidies (demand and supply) as they use public or grant funding to address the affordability barrier.

The focus of the webinar series will be on (1) and partly on (2) with an emphasis on nascent and emerging markets which require more direct interventionist approaches where there is neither in-house nor third-party end user financing. Options are limited to some form of price reduction to increase customer base and incentivizing suppliers to enter the market. The role of DSS here should be to build resilience as part of a long-term strategy, to incentivize an FI or supplier to enter the market, and for PURE to help build the local economy. As the ecosystem gets stronger, and therefore the ecosystem maturity, support should shift from more 'interventionist' pricing discounts (cost reduction) to less interventionist third party financing (with risk mitigation). A subsidy should be designed not only to improve end-user affordability but to strengthen the PURE ecosystem as well.

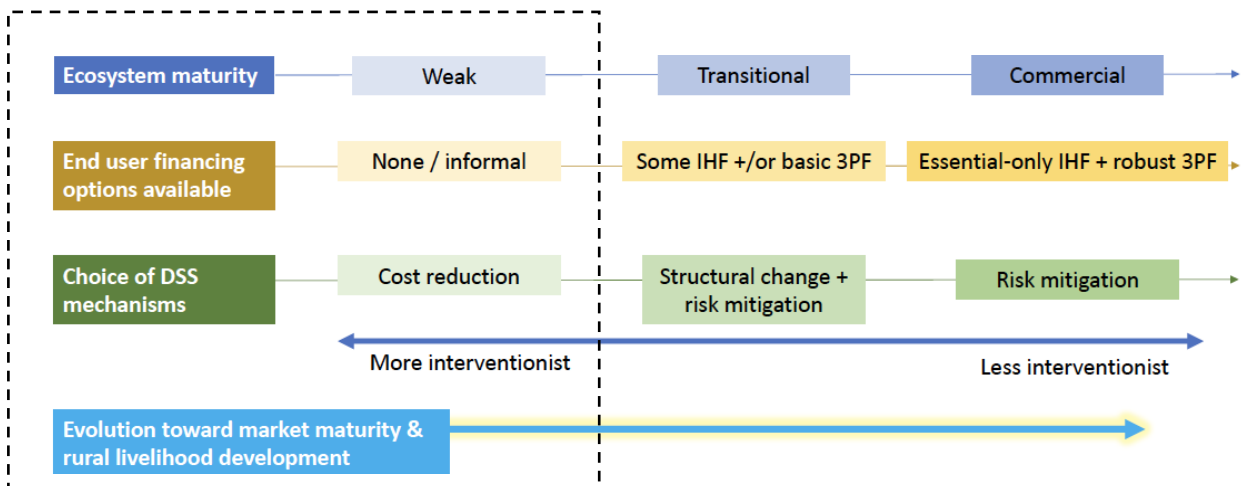


Figure 1: DSS options shift as the ecosystem matures. Dotted line indicates scope of this webinar series. (Source: SNV 2024)

The End-User Subsidy (EUS) Lab, coordinated by ESMAP/Lighting Global, GOGLA, EnDev, and Clean Cooking Alliance wants to provide more light to the PURE subsidy discussion, and is therefore organizing a set of two introductory PURE webinars for 2024. SNV will be the guest collaborator under the first two PURE webinars.

The webinars will aim at stimulating the needed discussion and sharing knowledge that can play a key role in designing and implementation of smart PURE DSS programs within the context of nascent markets. While the first webinar will look at ideation and conceptual framework of current DSS programs, the second webinar will look at showcasing experiences and lessons learned for existing models.

First webinar – Conceptualizing PURE EUS

Proposed date – Wednesday 15th of May 2024 -

Concept idea

The first webinar will introduce ongoing PURE DSS trends, including a framework of different approaches and the volumes of subsidies flowing into the sector³. This webinar will ignite the discussion on existing conceptualizing ideas within the PURE DSS space, i.e., program rationale and thought process behind the design of a selection of PURE DSS schemes and mechanisms.

Selected programmatic DSS models aim to mitigate price barriers, providing reduced prices to end-users, including a set of mechanisms such as Results Based Finance (RBFs), up-front grant to suppliers for price reduction, public procurements, vouchers, or other similar mechanisms.

It is also true that other financial solutions are needed while subsidies are provided, and so this webinar will also laterally include another supply side subsidies (SSS) tools but those will not be the main focus.

Key elements of the presentations

- Presentations should showcase different models that can be used for PURE DSS programs.
- The presentations will include success factors and elements and learnings in the design conceptualization of EUS schemes for PURE technologies DSS programs.
- Selected examples should ensure price reduction to end-users or similar benefits are a significant part of the program.

PURE technologies – Neutral

Markets – Nascent & emerging⁴.

Proposed agenda

- a. Introductory note – GOGLA (Carlos Sordo) – 5 min
- b. Context setting – SNV (Sarah Alexander) – 10 min
- c. Subsidies flow for PURE in 2023 – GOGLA (Oliver Reynolds) – 10 min
- d. Examples:
 1. Powering Livelihoods Program - CEEW – 20 min
 2. Experiences from a PURE private sector company – SunCulture – 20 min
 3. Q&A and closing remarks – 15 min

³ [How-Results-Based-Financing-is-driving-energy-access-and-powering-productivity.pdf \(gogla.org\)](#)

⁴ [Handbook for Governments and Development Partners | GOGLA](#)