

Economic and Social Commission for Western Asia

International experience of EE financing & models for derisking EE in the Arab region

Toolkit for Building Energy Efficiency Financing Instruments

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Shared Prosperity Dignified Life



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Agenda

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The roles of financing instruments

Elements of EE financing instruments

Types of EE financing instruments

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Multiple Benefits of Building EE

Multiple benefits at different levels

- Reduced costs to consumers.
- Enabling access to additional energy services.
- Reduced need for capex in supply side.
- Reduced local air pollution.
- Reduced GHG emissions.
- Etc.

Important to identify and value these non-energy benefits

The Roles of Financing Instruments

Dedicated energy efficiency financing instruments can:

- Directly support energy efficiency policies and targets.
- Address INDCs and SDGs.
- Bring additional capital into energy efficiency.
- Build capacity within the finance sector to understand energy efficiency.
- Build capacity within the supply chain.
- Help to derisk investing in energy efficiency.
- ‘Crowd-in’ private capital.

Elements of EE Financing Instruments

Capital Provider	Financial Intermediary	Capital instrument	Derisking Tools	Transaction Enablers
Government	Banks	Debt	Payment mechanism	Standardization
MDBs	Dedicated EE funds	Quasi equity	Performance contracting	Project Development Assistance
Institutional Investors	Grant providers	Equity	Insurance	Project Development Unit
Others		Grant	Guarantees	Procurement framework(s)
			Subordination	Super-ESCO
			Securitisation	Aggregation

Types of EE Financing Instruments

CHARACTERISTICS

Credit Line

Specific lending facility made available through existing banks.

Debt

Dedicated EE fund

Dedicated vehicle with one or more investor. Defined mandate & targets.

Debt / quasi- equity / equity

Other

Focused on development. Overlaps with transaction enablers.

Debt / equity

EXAMPLES

KfW energy efficiency loans (Germany)

EIB PF4EE (EU)

CVDB Municipal EE (Jordan)

European Energy Efficiency Fund (EU)

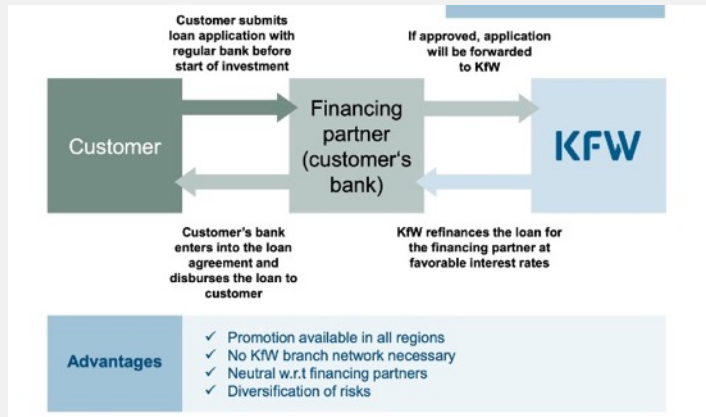
Kredex Revolving Fund for Apartments (Lithuania)

EcoCasa (Mexico)

Etihad Super ESCO (Dubai)

Tarshid (KSA)

Examples: KfW energy efficiency loans (DE)



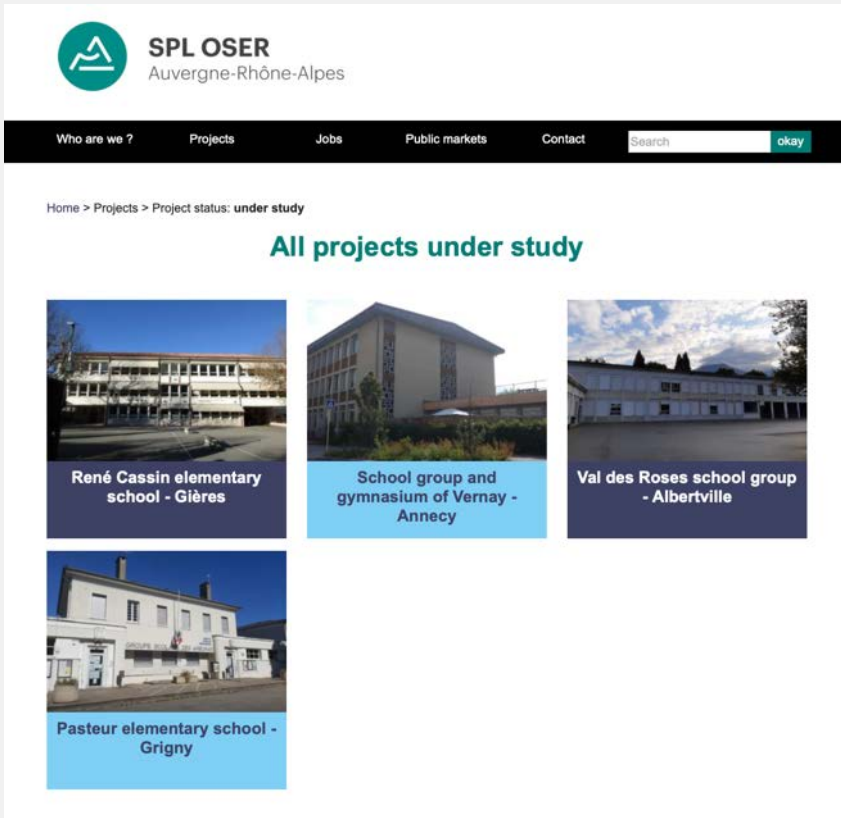
- Focus: building retrofit.
- Credit line to purchase energy efficiency loans from banks.
- National promotion through banks.
- 20 year term loans.
- Interest rate 1.66%.
- Variable debt relief based on energy performance relative to national standards.
- Support for 5 million housing units since 2006.
- More than €300 billion investment triggered.

Examples: European Energy Efficiency Fund (EU)



- Dedicated EE fund.
- Focus: municipal, local & regional authorities & private entities serving them e.g. ESCOs.
- EE, small scale RE and transport
- €265m capitalisation from: EC, EIB & CDP.
- Provides debt, equity, quasi equity.
- Term: 12 to 15 years.
- Has its own Technical Assistance Facility.

Examples: SPL OSER (FR)

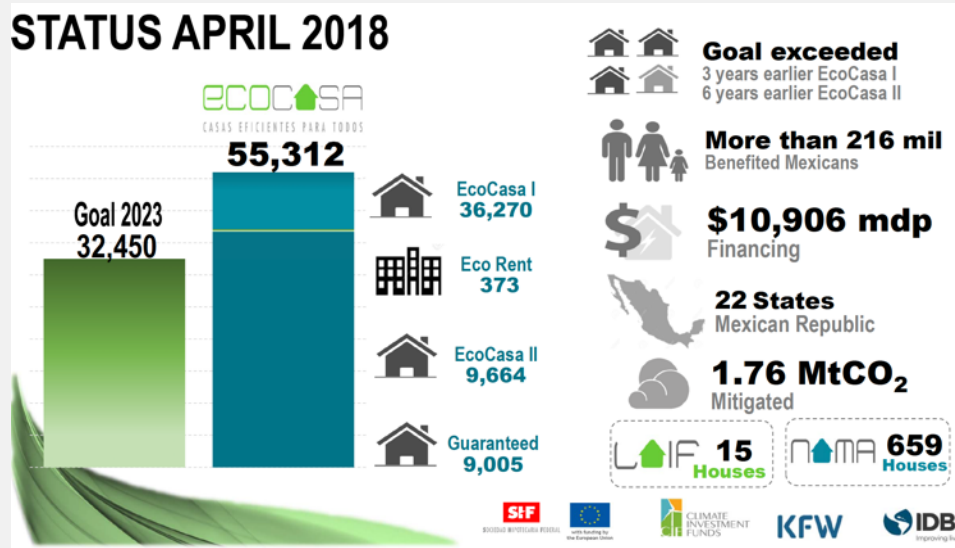


The screenshot displays the SPL OSER website for Auvergne-Rhône-Alpes. The header includes the company logo and navigation links: 'Who are we?', 'Projects', 'Jobs', 'Public markets', and 'Contact'. A search bar is also present. The main content area is titled 'All projects under study' and features four project cards, each with a photograph and a caption:

- René Cassin elementary school - Gières**: A modern, multi-story school building with a courtyard.
- School group and gymnasium of Vernay - Annecy**: A large, modern school building with a glass facade.
- Val des Roses school group - Albertville**: A long, single-story school building with a flat roof.
- Pasteur elementary school - Grigny**: A traditional, two-story school building with a red roof.

- Focus: public sector buildings, mainly schools & offices.
- Effectively a public-sector ESCO owned by municipalities who are customers.
- Partners: local Council, 21 municipalities, service providers & banks.
- Provides 10% (equity) of any project, 90% from participating banks.
- €50m total funding to date.
- Provides technical assistance.

Examples: EcoCasa (MX)



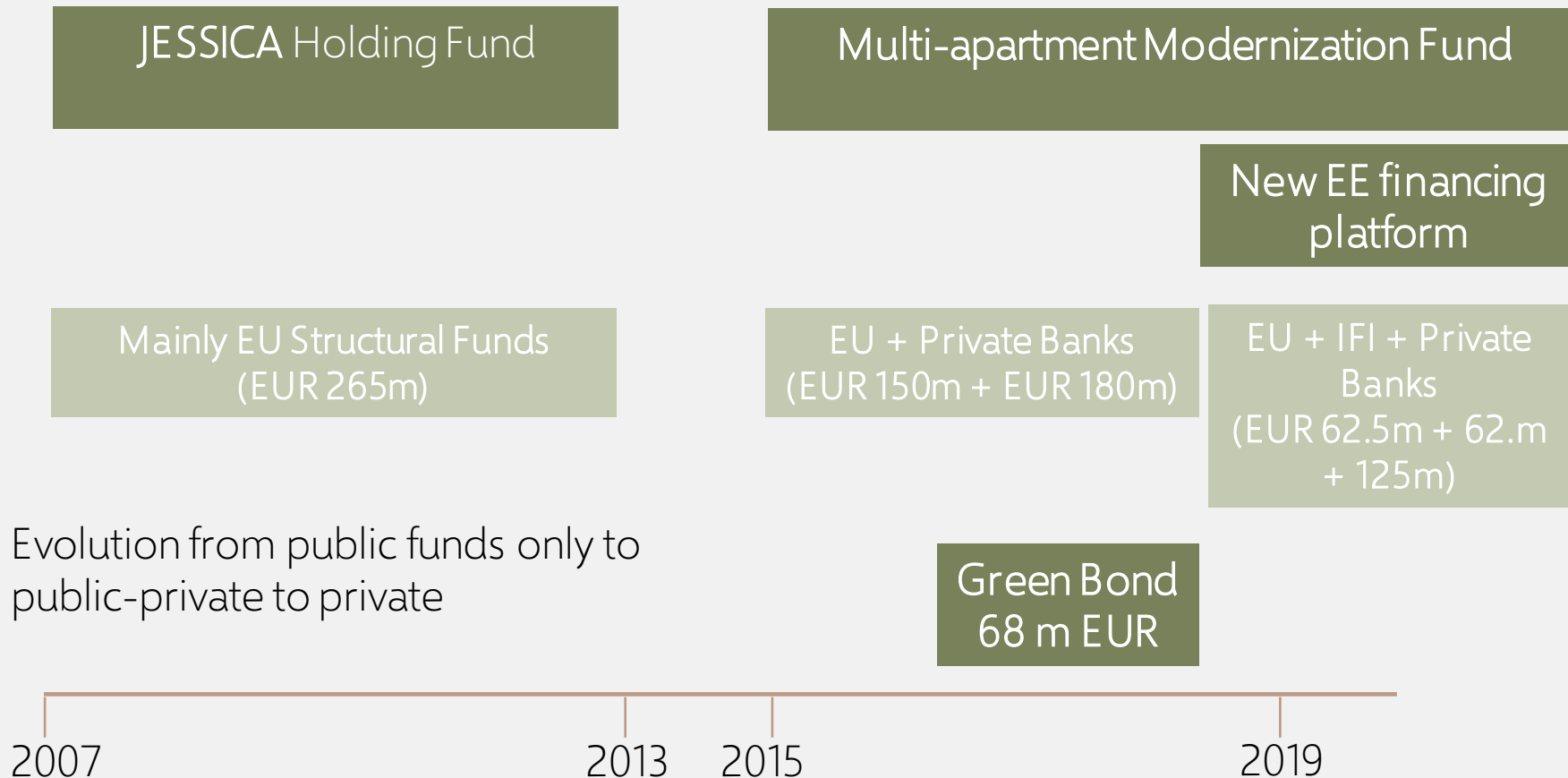
- Focus: new build, low income housing.
- \$396.16m deployed (April 2018).
- Soft loans to intermediaries & housing developers.
- Technical Assistance.
- EE houses at same price as conventional.

Examples: Multi-Apartment Modernization Fund (LT)



- Focus: renovation of multi-apartment blocks.
- Managed by VIPA, Public Investment Development Agency.
- 100% grant for project development.
- Loan rebate dependent on performance as measured by Energy Performance Certificate.
- Fixed interest rate: 3%.
- 2 year grace period.
- Provides debt, equity, quasi equity.
- Term: 20 years.

Examples: Evolution of financing instruments in LT



Lessons Learnt from International Experience

Links to policy instruments important.

Transaction enablers are critical – deal flow is essential.

Critical factors that transaction enablers need to address:

- Development assistance through TA or similar.
- Standardization of processes, contracts etc. to reduce transaction costs and risks.
- Capacity building within customers / supply chain / finance sector is needed.

Marketing efforts are essential – sell multiple benefits.

The market can evolve from 100% public to public-private finance.

Contextual Derisking Tools

Need to bring together energy efficiency and finance people and develop a common language e.g. Energy Efficiency Financial Institutions Group (EEFIG)

Need to build understanding of EE investment risks – widely ignored in the EE community.

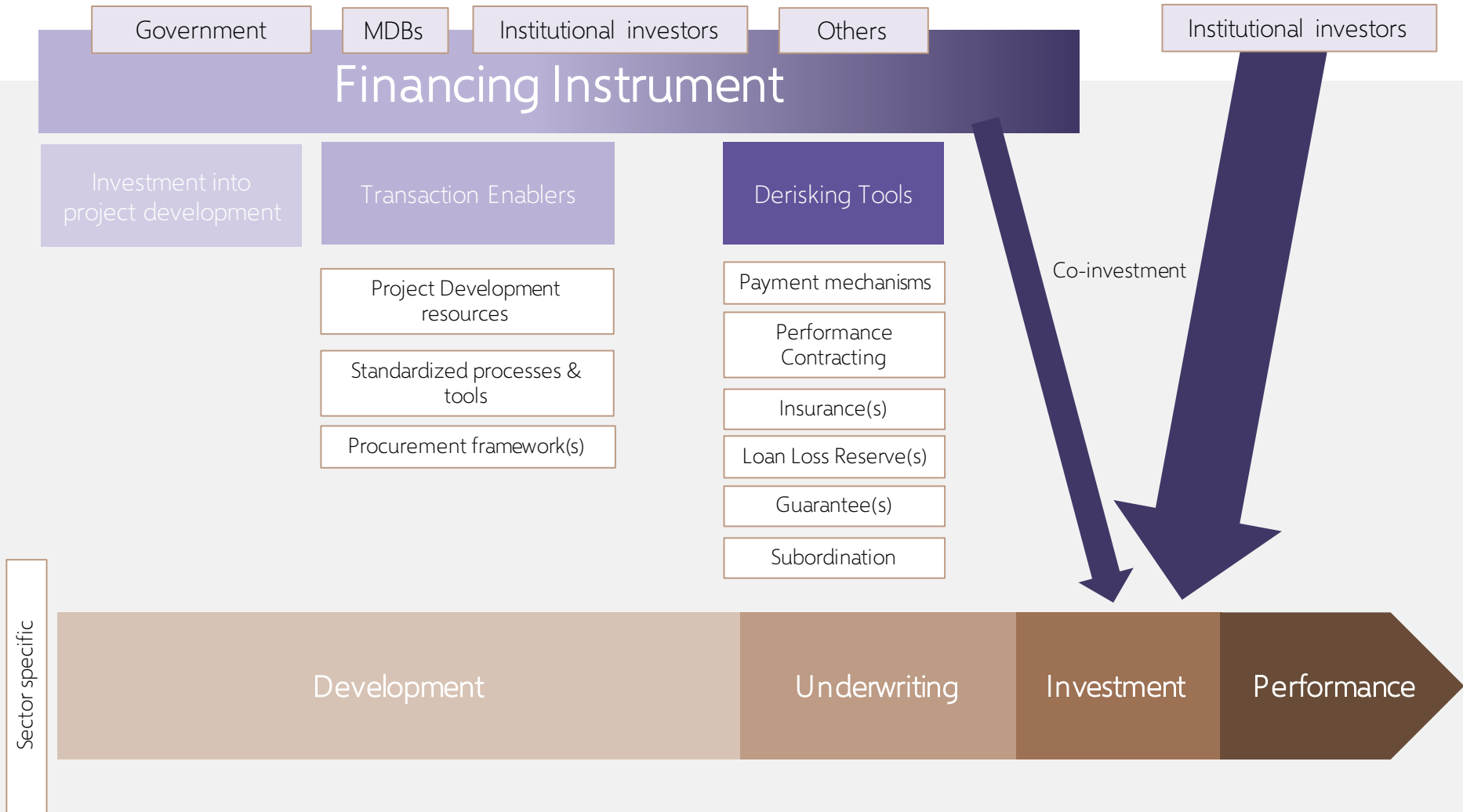
Need to collect & use data on EE investment types, performance & risks e.g. EEFIG Derisking Energy Efficiency Platform (DEEP) database.

- Ensure M&V and collect performance data from new programmes.

Develop and promote standards for:

- project development e.g. Investor Confidence Project
- procurement processes, contracts etc.
- supply chain including Energy Service Companies.

Proposed Instruments



Conclusions

Energy efficiency financing instruments can be designed in different forms but several key elements are essential.

Transaction enablers are critical to get deal flow – focus on bridging the development gap.

Private investors will need **derisking tools** – at least at first.

Blended finance models can demonstrate the market and build capacity within the finance sector.

The balance between public & private capital, and the importance of the different elements will vary according to local and regional needs.

Local agencies are important e.g. municipalities and therefore a high level of stakeholder engagement is needed.

There are sufficient global models now to demonstrate that scaling-up is possible.



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Thank you

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