Financing energy efficiency

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Energy Efficiency Training Week, Industry Stream, Pretoria, South Africa, October 2019
What is needed to obtain finance for an energy efficiency project?

Form a group of 3 or 4 people. Choose one of the following scenarios, discuss it in your group and then report back your findings.

1. Imagine that you are the senior finance manager in a business in the industry sector. A funding proposal for an energy efficiency project is placed on your desk. You review the proposal and consider it to be a good one. **What features of the business case proposal convince you that the project is worth pursuing?**

2. Imagine that you are a senior banker. You receive a funding proposal for an energy efficiency project from a business in the industry sector. You like the proposal and intend to provide the funding. **What features of the business case proposal convince you that the project is worth pursuing?**
Project life cycle

1. Identify potential opportunity
2. Assess feasibility
3. Develop business case
4. Secure funding
5. Procure & Implement

- Energy saving
- $ saving
- GHG reduction
- Other benefits
Self-financing

- Equipment company owned
- Held on the balance sheet as an asset
Third-party financing

- Equipment owned by a third party
- No asset on the balance sheet
- Service fees covered by savings
## Finance measures – range of options

1. Grants
2. ESCO funding model with shared savings
3. Preferential loans
4. Equipment leasing
5. Utility on-bill financing
6. Market based instruments
   a. White certificate schemes
   b. Utility obligations
   c. Auctions and tenders
7. Tax incentives
8. Others ...

European Bank for Reconstruction and Development Model (SEFF)

# Capacity building through the SEFF model

<table>
<thead>
<tr>
<th>Financial institutions</th>
<th>SME clients</th>
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<tbody>
<tr>
<td>Training staff in promoting new product</td>
<td>Identifying energy efficiency investments and enhancing project design</td>
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<tr>
<td>Supporting staff in recognising technically eligible projects</td>
<td>Promoting the benefits of high performance technologies</td>
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<tr>
<td>Marketing the benefits of the finance programme</td>
<td>Supporting the completion of finance applications</td>
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<tr>
<td>Creating standards for environmental and social due diligence</td>
<td>Providing guidance during and after project implementation</td>
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<tr>
<td>Encouraging clients to originate investment opportunities</td>
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Financing energy efficiency in Thailand

Source: Boonrod Yaowapruek, The Creagy Company 2019
Market-based Instruments

Market Based Instruments for energy efficiency:

- Use market forces to minimise the cost of saving energy
- Set a policy framework specifying the outcome (e.g. energy savings, cost-effectiveness) to be delivered by market actors, without prescribing the delivery mechanisms and the measures to be used.
The number of Market Based Instruments has quadrupled over the last ten years
The amount of investment generated by Market Based Instruments has increased six-fold over the last decade.
• THE FOLLOWING SLIDES WILL ONLY BE PRESENTED IF THERE IS SUFFICIENT INTEREST IN THE DETAIL OF MARKET BASED MEASURES
White certificate model

Energy retailers → Regulator → Energy Users

OBLIGATION TO SAVE ENERGY

ENERGY

$
White certificate model
White certificate model

1. Issue licences to certificate creators
2. Monitor compliance
3. Review & improve the scheme
4. Determine measurement methodologies

Energy retailers

Regulator

Licenced certificate creator

Energy Efficiency Equipment & Service Providers

Energy Users
Case study examples

• Italy’s white certificate scheme
  - Commenced in 2005
  - Over 24 million tonnes of oil equivalent saved to date
  - Companies with energy managers can create certificates

• India’s Perform Achieve and Trade Scheme
  - Government sets energy consumption targets for individual firms
  - Enterprise achieves energy targets through energy savings or purchase energy savings certificates generated by companies that have gone beyond their target