

Promoting Energy Efficiency Investments for Climate Change Mitigation

The Challenge:

Grow EE 'investment readiness' in emerging economies

Experiences from over 27 EE financing projects

EE projects are financially viable, RoI not a barrier

8/27 projects secured external funds

Bias toward equity and grants,

Inefficient and limited leveraging



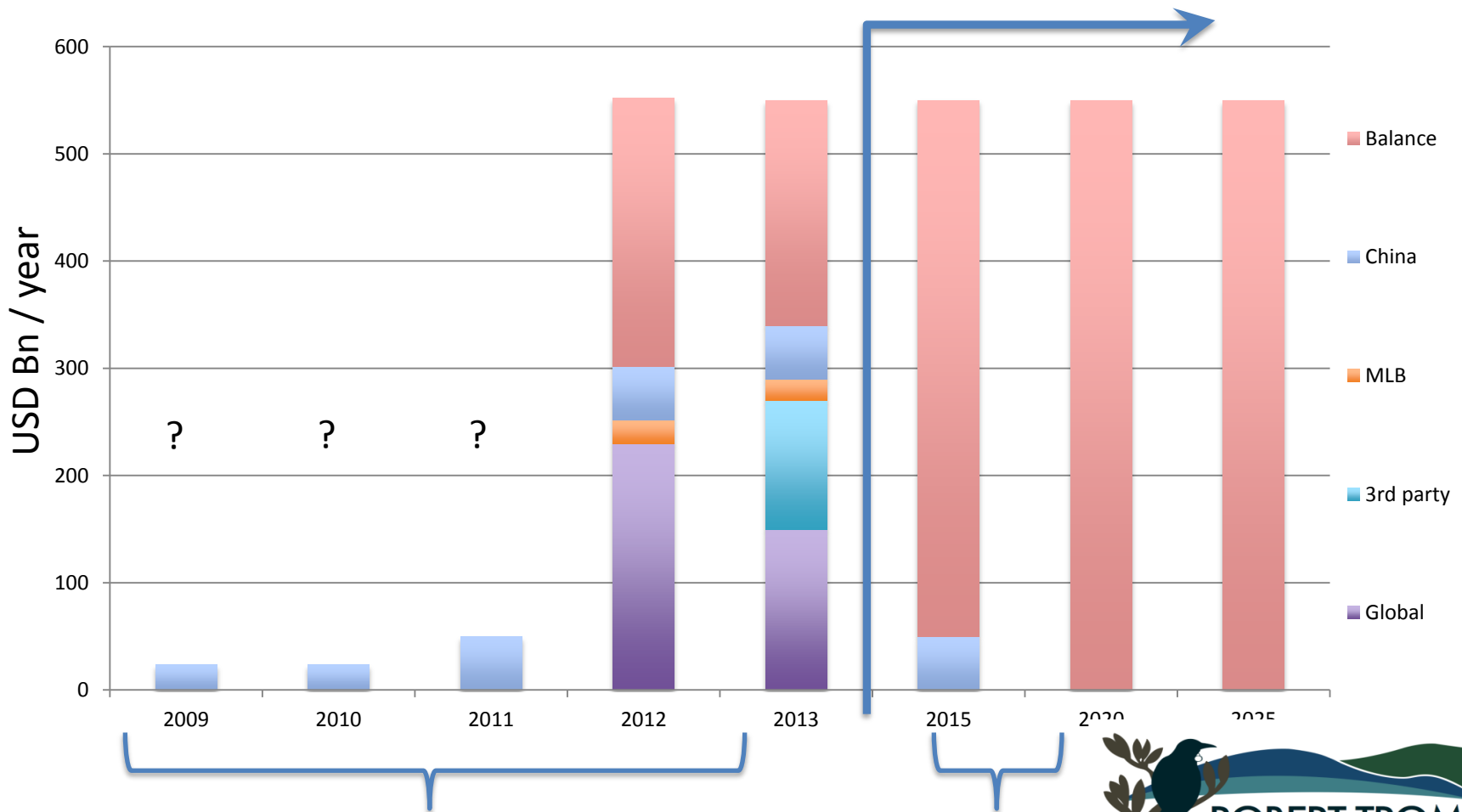
Identified Barriers

- Low energy costs
- Low awareness of residents, municipal authorities, and financial institutions about benefits of EE projects;
- Difficulties obtaining loans (esp; communities/municipalities);
- in implementation of similar projects;
- Lack of specific policies, programmes, legislation, by-laws; inconsistencies in their implementation and enforcement;
- Problems with using cost savings from EE measures by local authorities;
- Administrative barriers, bureaucracy (e.g. problems with obtaining permits and licenses);
- Lack of skills in preparing business plans.
- Lack of specific energy efficiency project financing by commercial banks;
- Lack of experience with EE project finance

Success Factors

- Need for energy saving due to high prices of resources.
- Appropriate legislation, norms and standards, government programmes and policies;
- Support from regional and municipal authorities and national government, local population;
- Willingness of company/organization managers to implement energy efficiency improvements;
- High level of project profitability;
- Energy audits and implementation of energy management;
- Support from international donors (soft loans, grants);
- Possibility to repay and service loans with savings generated from improved efficiency;

Options to improve energy efficiency: Is energy efficiency improving fast enough?



Governments can crowd-out private sector investment

Governments don't need to carry the full weight of funding EE, but they do need to:

- Enable prices that reflect the costs of supply and demand
- Improve legislative and policy framework to ensure the country is 'investment ready' with a conducive investment climate for SE
- Encourage private capital investment (lines of private credit, loans, not grants)
- Enhance skills for developing bankable project proposals;
- Ensure policy makers, businesses, financial institutions, local authorities and households understand the value of energy efficiency measures

Banks have a communication job to do to also:

- Internally: train bankers in how EE projects reliably return investment
train bankers in language and dynamics of technical projects
- Externally: use match-makers translate EE projects into finance projects



Measuring EE investment progress to SE4All

- Track capital formation (see IEA EEMR2014)
- Track investments in EE ‘premium’
- Evaluate by including evaluation of social and economic outcomes (see IEA Multiple Benefits)
- Stop talking about short paybacks
- Ask ‘what changed with the policy/programme?’
not ‘how much energy was saved?’