

Inter-regional Workshop on Energy Efficiency Investment Projects Pipeline

23-24 April 2014, Bangkok, Thailand

Information Report

The Inter-regional Workshop on Energy Efficiency Investment Projects Pipeline was held in Bangkok, Thailand, on 23-24 April 2014. The workshop was co-organised by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the United Nations Economic Commission for Europe (UNECE) in the framework of the United Nations Development Account (UNDA) project “Promoting energy efficiency investments for climate change mitigation and sustainable development”, which is implemented by the five UN Regional Commissions, with UNECE as a lead agency.

The target audience of the Workshop was project developers and owners, policy makers and experts in the field of sustainable use of energy, and representatives of business and banking communities. Forty participants from 19 countries of South-Eastern and Eastern Europe, Caucasus, Central, Northern, and South-Eastern Asia took part in the event. The Workshop was a follow-up to the International Training Courses on Business Planning for Energy Efficiency Projects held in 2013 in Almaty and in Istanbul. It provided information on energy efficiency (EE) investment projects, which included both regulatory and policy requirements as well as technical aspects that countries would need to tackle when attracting and using domestic and foreign investments. The Workshop reviewed the investment project pipeline (inventory of energy efficiency project proposals submitted by participants), provided financial analysis of selected projects, served as a place for national presentations and dialogue on energy efficiency investment project proposals between project developers and government officials (with the focus on barriers and success factors), and looked at the experience of financial institutions with energy efficiency financing instruments. UNECE shared its experience in implementing the “Financing Energy Efficiency and Renewable Energy for Climate Change Mitigation” (FEEI) and other projects in the area of energy efficiency.

The Workshop was opened by Mr. Hongpeng Liu, Chief of the ESCAP Energy Security and Water Resource Section. The first session included a joint UNECE/ESCAP presentation *Regulatory and policy requirements for attracting and implementing energy efficiency investments projects*, a UNECE presentation *UNECE experience in implementing the Financing Energy Efficiency Investments for Climate Change Mitigation (FEEI) project and analysis of barriers and success factors in implementing energy efficiency investments projects* and a presentation by Mr. Deltcho Vitchev, training facilitator at the Training Courses in Almaty and Istanbul, *Investment project pipeline, financial analysis of selected projects and assistance in preparation of bankable projects*. Mr. Vitchev presented financial analysis of 27 submitted projects and concluded that many of the projects are financially viable and show good returns. At the same time, financing structures of many projects are biased towards equity and grant finance and use of leverage is inefficient and limited. Out of the 27 energy efficiency projects presented at the workshop, eight had secured financing from various sources (equity, commercial loans, soft loans, grants, government funding, international financing institutions and mezzanine financing) and other projects are in various stages of applying for financing for their implementation.

At the subsequent sessions, project developers and owners from 16 countries presented their investment projects with details of the total cost of the project, investment requirements, projected internal rates of return, payback periods and improvements in energy efficiency (energy and resources saved and greenhouse gas emissions reductions) for submission to national and foreign investors, banks, investment funds, and other financial institutions in beneficiary countries. Government officials responsible for energy efficiency had an opportunity to present their vision on what their countries are doing for encouraging energy efficiency measures and making getting financing for and implementing energy efficiency projects easier. The workshop has served as a platform for interaction between project developers and government officials with open discussions on what governments could improve in legislation and policies the area of energy efficiency financing.

Analysis of information received from project developers and owners identified a number of success factors for financing and implementation of energy efficiency projects, *inter alia*:

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

The barriers encountered by project developers and owners in getting financing and implementing energy efficiency projects were also presented. They include, *inter alia*:

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

The final session of the Workshop was on Experience of Financial Institutions with Energy Efficiency Financing Instruments. It included a video on Sustainable Energy Finance Programme in Russia implemented by the International Finance Corporation (IFC); a presentation by Mr. Markus van der Burg of Conning Asset Management Limited *Attracting the Right Finance*; and several presentations and discussion on Energy Service Companies (ESCOs) as an instrument for financing and

implementation of EE projects and the experience of application of ESCOs and differences in ESCO market and policies in various countries.

At the closing of the Workshop, a number of participants emphasized that the event was highly important and valuable for improving their skills and knowledge in financing energy efficiency projects and as an opportunity for networking with people from other countries involved in solving similar problems. Among the most important things that came out of the discussions at the Workshop were improving legislative and policy framework; enhancing skills for developing bankable project proposals; and getting clear understanding of the value of energy efficiency measures by policy makers, businesses, financial institutions, local authorities and households.

Summary of participants' evaluations will be posted separately.

The Workshop materials are available at: <http://www.unece.org/index.php?id=35165> and <http://www.unescap.org/events/inter-regional-workshop-energy-efficiency-investment-projects-pipeline>.