

Profitably financing energy efficiency projects

Having over 15 years of experience in energy efficiency finance I am convinced that energy efficiency is bankable.

However private investors – banks, leasing companies, microfinance organizations – are still quite reluctant to launch dedicated green financing products for customers. For several reasons: the market is too broad, they do not know how and where to start; the segment seems to be very technical for bankers that means the risk perception is high that translates into high interest rates; cash flow from energy savings is not evident that forces banks to ask for more collateral etc.

Role of MFIs to unlock industrial energy efficiency financing

In this situation multinational finance organizations like IFC, EBRD, AFD etc. are launching technical assistance programs to help banks address those barriers, but not all of such programs are successful. Why and how to make such programs successful? Critical point is to ensure sustainability – keep the knowledge within the local bank or leasing company, give the methodology and not a grant, show that the approach works with one bank so that others would be eager to follow.