

Sustainable Energy Finance

Challenges

Economies in emerging markets increasingly need to implement energy efficiency (EE) measures in the face of rising energy prices and potential energy shortages. Outdated generation facilities need to be upgraded in order to avoid energy losses and ensure an ongoing energy supply despite increasing demand. Meanwhile, end users still deploy outdated equipment and technologies, leading to further energy waste and CO₂ emissions. Experience shows that investment in EE is the most advantageous way of saving energy. Such investments have short payback periods, attractive return rates, and debt service can often be covered by energy cost



savings. Given increasing energy prices worldwide, companies that recognize the importance of energy efficiency today will have a competitive advantage tomorrow.

The recent global economic slowdown has had a continuous and direct negative impact on investments, causing banks to be reluctant to finance EE and renewable energy (RE) projects. Further obstacles preventing such projects from being financed include legislative and regulatory frameworks, particularly for RE development, a lack of economic incentives due to artificially low energy tariffs, limited local capacities to prepare project proposals, and companies' lack of awareness of the benefits of implementing EE measures. Often, companies are simply not aware of the benefits extending

from EE measures, or lack the corporate capacity needed to prepare project proposals. Many companies shy away from initial investment costs and remain unaware of the long-term commercial benefits. Moreover, many banks are unfamiliar with EE/RE financing, and perceive EE/RE lending to be a risk rather than a means of diversifying their portfolio.

GFA Concept and Services

GFA's Financial Systems Development department supports local partner financial institutions in the launching and marketing of EE/RE facilities and assists in the development of EE/RE lending as a sustainable banking business. Our EE/RE experts offer field-proven concepts, ensuring the application of best practices in EE/RE finance.

Marketing GFA ensures a timely launch of the facility and prepares a marketing concept with partner financial institutions. This includes a well-designed, user-friendly facility website, media work and promotional materials such as brochures, leaflets and case studies. We also offer portfolio screening support to identify potential sub-borrowers in the existing client database, organize public events dedicated to industrial modernization and EE to attract new clients, and stakeholder relationship management.

Project identification and portfolio development

GFA supports companies in the identification of energy losses, conduction of EE assessments, and identification of technical solutions. Our experts assist in the search for suppliers, in technical and financial project assessment, and in the preparation of bankable project proposals, both independently and in cooperation with consortium partners.

Capacity building GFA offers and organizes training and skill transfers to relevant stakeholders. Standardized training modules for bank officers incorporate sales techniques, portfolio screening, project appraisal, and risk analysis. Technical staff is trained in energy audit and project management.

Project management GFA mobilizes highly qualified expert teams matched to each project's specific needs. GFA consultants closely monitor and coordinate project activities and implement knowledge transfers from similar programs, reflecting the key to the company's approach to EE/RE financing.

GFA at Work

Sustainable Energy Financing Facility (SEFF) in Russia, EBRD, 2009 – 2012

EBRD created the Sustainable Energy Financing Facility (SEFF) in Russia to support private enterprises in the improvement of EE and the development of RE sources. A 300 million dollar (US) financing facility was set up for on-lending



to industrial enterprises and suppliers of EE technology, equipment and materials through local partner banks. GFA supports these banks in marketing the facility and in assisting enterprises to identify areas of energy loss, technical solutions for lowering energy consumption, and in preparing bankable projects (www.ruseff.com).

Contract Value: €3,450,000

Credit Line for EE/RE Financing, South Africa KfW, 2011 – 2013

The objective of this project is to support South Africa's Industrial Development Corporation (IDC) in their effort to successfully introduce a sustainable new loan product designed to enable clients to finance EE equipment and RE technologies. A 50 million euro credit line enables IDC to finance EE/RE investments. We support IDC in analyzing the existing client and loan portfolio, and adapting the credit technology in use. GFA also assists IDC in the appraisal of loan applications, and the establishment of a monitoring and reporting system. Capacity building and training as well as the promotion of the new loan product through marketing campaigns are complementary tasks.

Contract Value: €1,563,000

SEFF in Turkey EBRD, 2010 – 2012

A 200 million dollar EBRD credit facility (www.turseff.org) enhances efforts to save energy, reduce costs and cut the carbon footprint of Turkish businesses and households. The industrial and commercial services sectors, agribusiness, small and medium enterprises, residential buildings and manufacturers and suppliers of EE technology, equipment and materials are all eligible for financing. GFA ENVEST and its consortium partners support partner banks in marketing the facility, preparing bankable project proposals, and in assisting potential borrowers to identify the most viable technical and financial solutions for their investment needs.

Contract Value: €3,650,000

SEFF in Kazakhstan EBRD, 2008 – 2011

KAZSEFF is an EBRD credit line that aims at supporting private enterprises to improve EE and develop RE sources. The facility offers 75 million dollars for on-lending to industrial enterprises through partner banks, and a technical assistance package to support partner banks in marketing and project development. We also support companies in project identification and preparation. The GFA team and its engineering partners provide marketing assistance, conduct EE assessments, support the identification of suitable technical solutions and suppliers, calculate project benefits, and help prepare bankable projects (www.kazseff.kz).

Contract Value: €2,793,000



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