

PUBLIC PRIVATE PARTNERSHIPS FOR FINANCING

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ENERGY EFFICIENCY AND RENEWABLE ENERGY FINANCING

- Objective: Develop Financial Products and Structures to commercialize and build self-sustaining financing for energy efficiency and renewable energy projects that are smaller in scale and different risk profiles and higher investment hurdles than conventional energy projects;
- Use Public Private Partnerships as a means to engage financial institutions and the private sector to facilitate greater investment;
- Develop market capacity and mechanisms to create deal flow and mobilize public and private capital;
- Increase awareness of the benefits of EE/RE systems and expand information sharing capabilities;
- Promote supportive policy and regulatory frameworks.

Need for Action

- Energy demand to increase 60 percent in rapidly growing areas by 2020
- Cleaner, efficient energy technology contributes to energy security, economic growth, and improved environment and health
- Energy efficiency and renewable energy markets are underdeveloped
 - Public funds not sufficient to meet needs
 - Private funds not getting to qualified projects
- Turning Energy Savings into assets

U.S. Clean Energy Initiative: APEC EERE Financing Task Force

GOAL

- Scale up Financing by closing gaps between project development and financing
- Focus on market development

STRATEGY

- Public Private Partnerships to address unique risk profiles and investment hurdles of these projects
- Focus on building local financial/commercial infrastructure to link private capital with project development
- Develop new business models and financial products and services to commercialize and build self-sustaining financing

APEC EERE Financing Initiative Implementation: Progress Report

- Energy Working Group Task Force on Energy Efficiency and Renewable Energy:
 - A. Developing Renewable and Energy Efficiency Financing Best Practices and Guidelines for APEC Region Capital Market Development
 - B. Developing Market Capacity to Commercialize Financing of Clean and More Efficient Energy Projects
 - C. Local Banks Training Program for Financing Energy
 - D. Information Sharing on Financing Public Sector Energy Efficiency and Renewable Energy Projects

Energy Working Group Task Force on Energy Efficiency and Renewable Energy

- APEC Member Economies:
Survey/Questionnaire
 - Australia ▪Philippines
 - China ▪Republic of Korea
 - Japan

 - Mexico ▪Chinese Taipei
 - New Zealand ▪United States
- Host Economies for Project Development
 - Mexico China

A. Development of Renewable and Energy Efficiency Financing Best Practices and Guidelines for APEC Region Capital Market Development

- Starting in September 2005; Efficiency Valuation Organization selected as contractor
- Objectives: GAPP – Develop “Generally Acceptable Practices and Procedures” for Financing Smaller Projects through a Consensus-based process as a foundation for an “International Energy Efficiency and Renewable Energy Financing Protocol” (IEEFP).
- Standardize methods and procedures for financing to enable long-term financing on “cash flow” basis and accelerate project development.
- Standardize tools/procedures for measuring and verifying energy performance and emissions reductions to support non-asset based financing and to increase return on investment.
- IEEFP intended to be the “blueprint” for local financial institutions financing these projects within APEC region.

A. Consensus-Based Process for Developing Financing Best Practices and Guidelines for APEC Region Capital Market Development

- Task 1: Develop “Best Practices” Financing Assessment Reports for two Host economies
- Task 2: Convene workshop of EVO’s Global Working Group (GWG) to review the reports and make recommendations based on experience from around the world.
- Task 3: Convene local Economy Work Teams to review the GWG recommendations and development of Business Plans.
- Task 4: Convene GWG to develop a framework for an umbrella approach or protocol for financing renewable and energy efficiency projects.

B. Developing Market Capacity to Commercialize Financing of Clean and Efficient Energy Projects (CEEPS)

- **Goals for Scaling Up Financing**
 1. Reduce transaction costs
 2. Increase transparency of transactions and capital raising
 3. Increase ability to replicate projects
 4. Develop new financial products and services
 5. Promote supportive host economy policies and incentives
- **Projects**
 1. Financial Intermediaries/Special Purpose Entities
 2. Integrative Public-Private Sector Financing
 3. Financial Guarantee Facilities

**1. Financial Intermediaries/
Special Purpose Entities**

- **Reduce transaction costs**

Develop and use standardized tools and documents and specialized products to raise capital at lowest costs to developer
- **Increase ability to replicate projects**

Develop replicable financial structures for raising capital to accelerate project development and increase investment in the local economy
- **Train and develop local banks as Financial Intermediaries to bundle transactions, pool resources and use standardized approaches.**

1. Financial Intermediaries/ Special Purpose Entities (cont.)

- Establish financial intermediaries and programs in 2 Host Economies to mobilize and pool financing for a portfolio of investments in targeted small scale projects (less than \$10 million)
- Address risks using tools including loan guarantees or other credit enhancements, standardized practices and procedures and portfolio management

2. Integrative Public-Private Sector Financing

- Reduce Transaction Costs and Risks
 - Draw on developed economy business models
- Increase Ability to Replicate Projects
 - Develop opportunities for innovative underwriting of energy efficiency improvements and renewable energy use in public facilities
 - Partner public sector, local entrepreneurs, and energy service providers with local community financial institutions and regional and international financing institutions
 - Supplement public budgets with private financing and turn energy savings into assets for project financing
 - Determine feasibility of securitizing loans in local markets and undertake a pilot project using the public sector as a customer base

3. Financial Guarantee Facilities

- Increase lending for Clean and Efficient Energy Projects by establishing finance guarantee facilities
- Guarantees will function as risk sharing and mitigation vehicles to reduce capital and transaction costs and increase ability to replicate projects
- Provide lending for projects that local banks might not otherwise finance and lower costs of financing for borrowers

C. Information Sharing on Financing Public Sector Energy Efficiency and Renewable Energy Projects

- Starting in May 2006
- Objective: Through sharing information reduce transaction costs to all parties involved in financing public sector energy efficiency and renewable energy projects
- Web-based information system
- Will involve all APEC economies

D. Local Banks Training Program for Financing Energy

- Mexico lead and China, New Zealand and U.S.A co-sponsoring APEC Economies:
- **Goal:** Building capacity in local banking institutions to finance energy efficiency (EE) and renewable energy (RE) projects to promote the establishment of loan guarantee funds, revolving funds, lines of credits and any other financial mechanisms that can help make it easier for energy end users and project developers to access financing
- **Approach:** Develop a training course and a training document that will support local bank officers in order have a decreased perception of risk

D. Local Banks Training Program for Financing Energy

Measures of success

- Increase awareness of benefits and assess risks of EE and RE projects to promote new line of business for banks
- Develop financial mechanisms or products designed specifically for EE and RE projects
- Build interest of project developers and energy end users to engage in project development
- Engage local commercial banks
- Reduce transactions costs for energy end users and project developers

Benefits

- Successful financing mechanisms deployed within economies are key to energy security and sustainable development
- New financing services and products will:
 - Enable increased investment in secure and cleaner energy
 - Provide the financial infrastructure needed to sustain energy investments over time

Summary:

- Need for Action through Public Private Partnerships
- Focus on market institutionalization
- Scaling Up Financing through Training Local Commercial Banks to serve as Financing Intermediaries and Standardization of Project Review and Financing procedures;
- Build Local Commercial Infrastructure;
- Integrate Public-Private Sector Financing;
- Financial Mechanisms, Products and Services
- APEC “Financing High Performance Buildings and Communities”