

Innovative Energy Financing

The course moderated by Mr. John Wasielewski of USAID, had five instructors:

Mr. Edward Roche of USAID focused on the importance of mobilizing private sector capital for energy investments, and provided an overview of USAID credit guarantees through the Development Credit Authority (DCA). There are untapped opportunities for bankable projects in developing countries and outlined various barriers to credit that exist. Unlocking that capital, in his view, particularly through lending to the private sector and credit support for the private lender, could increase the access to finance for energy efficiency and energy access projects in developing countries. He described as the final hurdle to facilitate the flow of the needed capital through the private local financing.

Mr. GAD Cohen of InfraCo Ltd, USA, highlighted the need to present bankable projects to private lenders in order to arrive at financing energy infrastructure projects in developing countries. According to Mr. Cohen, projects involving parastatal utilities as energy purchasers need to overcome key systemic barriers such as solvency, tariff affordability and risks related to law protection. He advocated for leaving behind the conventional approach to energy project bankability, which involved long-term power purchase agreements with state utilities as the single buyer. He instead emphasized the need to have direct access to end-users through a solvent purchasing utility and an integrated project involving generation, transmission and distribution.

Mr. Martin Endelman of the Asian Development Bank (ADB) presented the clean energy financing activities of the Asian Development Bank. He focused in particular on the risk-sharing mechanisms that the ADB is offering to a number of commercial banks and other financial institutions to help local financiers to support smaller clean energy projects and to facilitate the deployment of new energy efficient and renewable energy technologies. Mr. Endelman also referred to the Asia Pacific Carbon Fund that will provide prepayments for carbon credits generated by CDM projects that would otherwise not be able to finance the emissions reductions. He emphasized the importance for potential borrower to know the strengths and weaknesses of each financial institution.

Mr. Ira Birnbaum stressed the importance to complement the partial loan guarantees that USAID provides for energy efficiency financing in Eastern Europe with technical assistance. He presented a success story from Bulgaria where technical assistance identified viable energy efficiency and renewable energy projects with relatively short payback periods and the loan guarantee helped to overcome lender reluctance by reducing risk. Critical success factors he underscored were the lending environment and lender commitment as well as the creditworthiness and legal operations of borrowers and good project preparation.

Mr. Jas Singh also from USAID, gave short closing remarks which highlighted the lessons learned and remaining challenges. He underlined that help is available in the form of recently set-up energy funds with various donors, and emphasized the need to scale-up energy financing and to compile more good financial case studies.