

Facilitating Investment in Energy Efficiency

Energy Efficiency – Part of the Answer to MENA's Energy Challenges

Tunis 25-26 November 2008

Presentation by Richard Kupisz

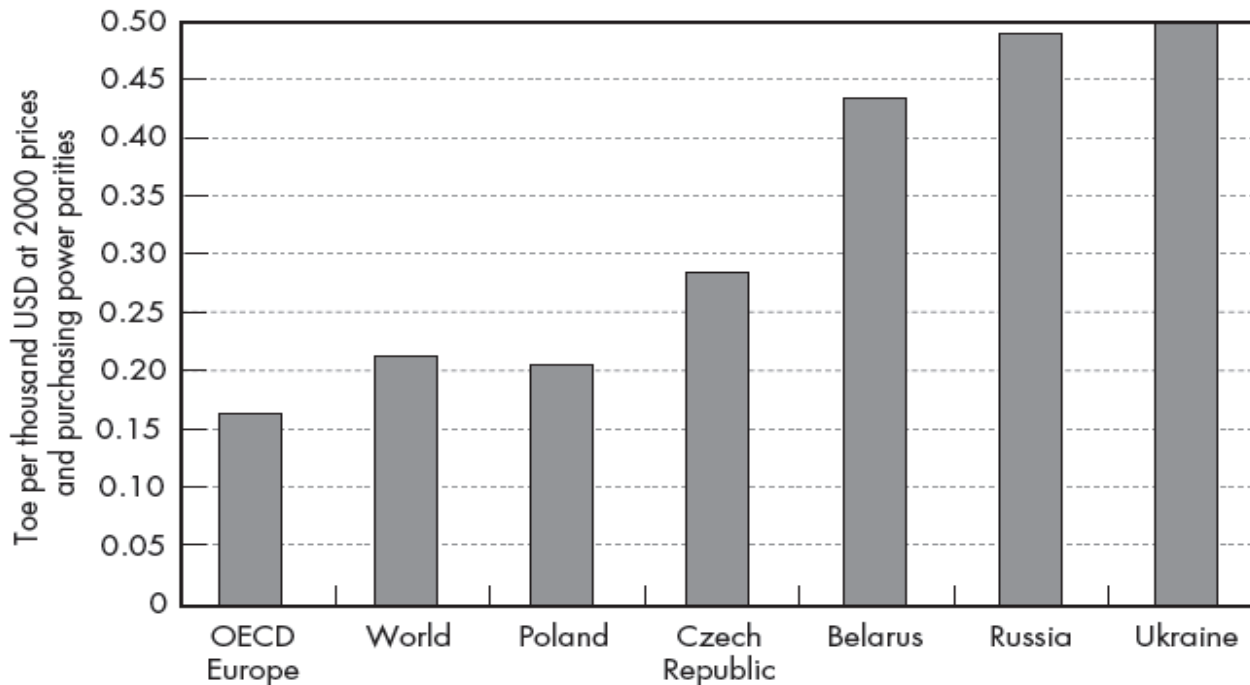
Leaders in the design, implementation and operation of markets for electricity, gas and water.



Background

Energy intensity in the former Soviet Union is significantly higher than the world average

Energy Intensity in Ukraine and Other Countries, 2004



- Georgia is 3½ x OECD average
- Lack of awareness of EE
- Banks not familiar with EE

Source: IEA statistics.

The Georgia Energy Efficiency Programme (GEEP)

“Establish a dedicated Credit Line for energy efficiency and renewable energy projects in Georgia to support investments which improve energy efficiency or promote renewable energy”

Timing

From 1st November 2007 to 31st May 2009

Targets

\$35 million of loans
5 participating banks
120 loans for EE and RE projects
2,500 loans for residential EE projects

Criteria

IRR > 10%, more efficient technology

Mechanism

www.energocredit.ge

ENERGOCREDIT 
Reassess what you use

Loan Process

Marketing

- Participating Banks
- Free Energy Audit
- Website
- Media campaign
- Expos

Preliminary Screening

- Credit profile
- Technical review
- **Initial recommendation**

Project Assessment Report

- Technical review
- Financial analysis
- Risk analysis
- Energy savings
- Environmental impact
- **Loan recommendations**

Completion Report

- Monitoring
- Evaluation

Achievements

- 3 Participating Banks
- Training provided to 45 Credit Officers
- Website, visibility campaign
- Project Pipeline: **12 projects**
- Screening reports: **9 projects**
- PARs: **8 projects**
- Loans: **4 hydro projects (\$3.4m)**
5 building projects (\$1.8m)

After a slow start approvals are now coming more quickly – though the Russian invasion and credit crunch did not help

Issues and Lessons (1)

Legal/ Regulation

- No EE legislation
- No incentives
- No EE standards, labelling
- Little regulation



- Government involvement would help to stimulate demand
- Developing our own standards

Socio- economic

- Lack knowledge of EE
- Stick to “their” bank
- Affordability (residential)
- Fragmented market
- Unfamiliar technology



- Visibility and marketing crucial
- Work closely with banks
- Need incentives to stimulate demand

Issues and Lessons (2)

Participating Banks

- Little understanding of EE
- No active marketing
- Weak project evaluation skills
- Same terms/rate as normal loans
- Stick to “their” customers
- EE less “sexy” than construction loans



- Work closely with banks
- Training of bank credit staff
- Marketing targeted to banks
- Need senior management support
- Target regions, not just the Capital

Some Lessons for the Middle East and North Africa

- Set realistic targets
- Government involvement in regulation, standard setting
- Work closely with banks – they have customer access
- Marketing, education, visibility are important – both for the public/potential borrowers and for bank staff
- Financial incentives important for the residential sector
- Structure must ensure banks pass on benefits to borrowers
- Quick hits/biggest savings come from industrial/commercial

A similar scheme could be beneficial to the MENA region – perhaps initially targeting industrial and buildings