

INNOVATIVE FINANCING SOLUTIONS



Sustainable Energy Efficiency

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EE COOLING FINANCE IN DEVELOPING COUNTRIES

- Financial strategies play major enabling role in National Cooling Action Plans to accelerate access to efficient cooling
- Innovative financing solutions have been implemented in several developing countries providing risk mitigation mechanisms , a blend of funding options and other solutions to major challenges.

MAIN CHALLENGES



How to engage the private sector ?

How to address inclusion in efficient cooling?

How to de-risk and solicit funding at affordable interest rates?

How to introduce credit enhancement tools and risk mitigations?

How to leverage finance schemes and expand the funding platform of capital?

-ESI -REVOLVING LOANS

Energy Savings Insurance (ESI) model

- Addresses the technology risk and provide guarantees to energy savings expected from EE investments
- The model involves a collaboration among insurance validation entities , insurance companies , regulators and lenders

-Successful implantation was conducted by BASE and UNEP embarked ESI project in Morocco in Feb 2022 (funded by the Climate Emergency Collaboration Group) to mitigate major technology risk barrier to SME's investing in EE projects.

Revolving Loans Model

- Revolving Loan credit lines are granted to national development banks to facilitate quick access to credit

BASE and UNEP in 2020 collaborated to provide Revolving loan Funding to boost Costa Rica's market of efficient cooling products

CAAS- COOLING AS A SERVICE

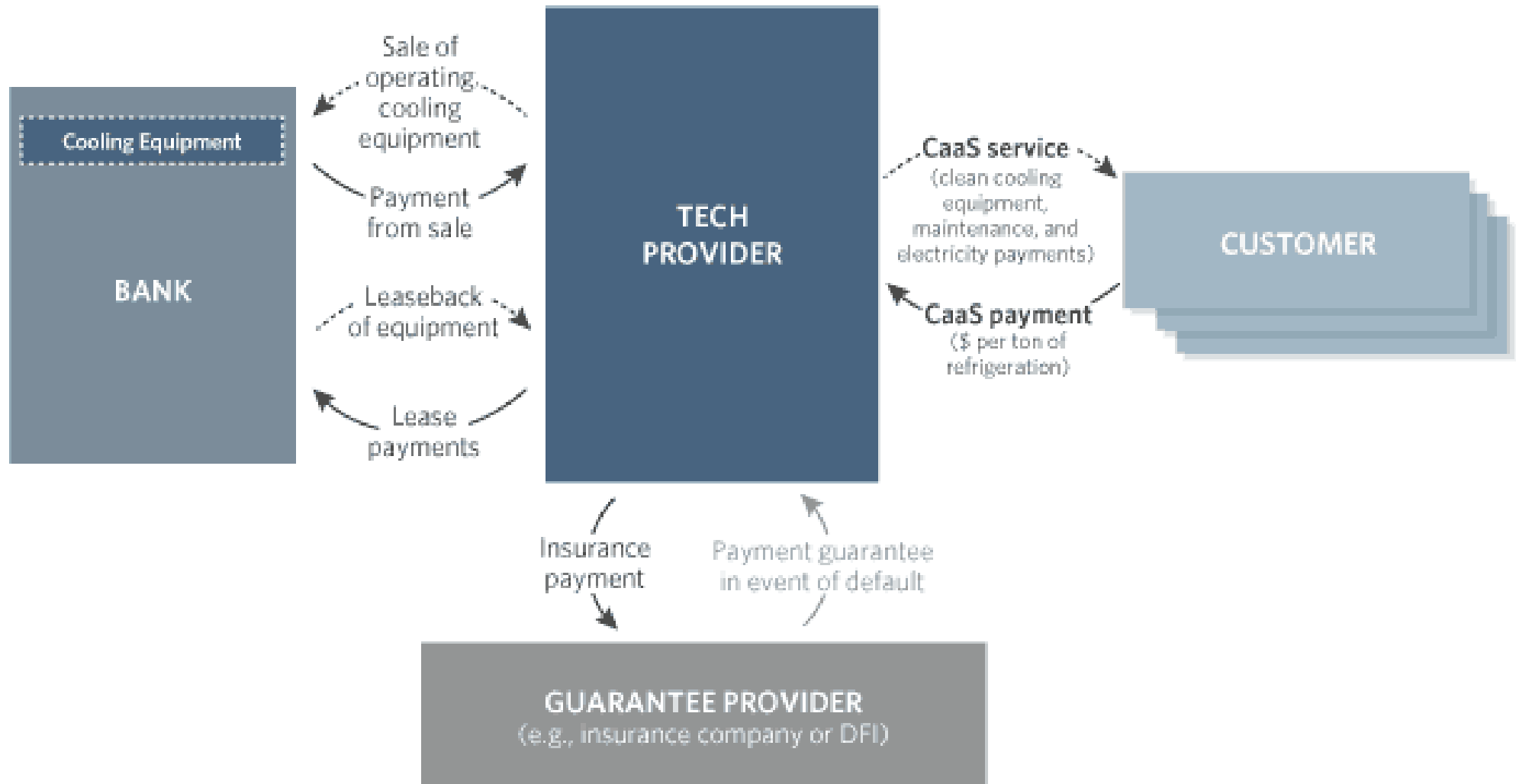


CaaS- Cooling As A Service Model

- The Cooling as a Service Initiative is a global effort launched in 2019 by BASE and Kigali Cooling Efficiency Program (K-CEP) to mainstream cooling as a service and to avail affordable, sustainable cooling appliances for everyone
- An EE cooling service contract is conducted between users and the cooling technology provider
- The technology provider owns, maintains and covers all operational costs of the cooling appliances
- The end users make periodic payments **Pay-Per-Use Model**

-CaaS model, has been adopted in India for installing agricultural cold storage and in Colombia for providing high-efficiency centralized air-conditioning system to one hundred offices.

CAAS FINANCIAL MODEL- INDIA



-LEASING -ON WAGE -ON BILL

Leasing Model

- Offer clients' financing to acquire climate-friendly air conditioners and refrigeration systems through a leasing agreement (the equipment itself is used as collateral)

*Rwanda's Business Development Fund (BDF) initiated a **Coolease** mechanism based on Leasing Model*

On Wage Model and On Bill Model

- The model enables salaried customers to acquire efficient cooling equipment via soft loans from banks with reimbursement over long tenor through deductions on salaries or through monthly payments on utility bills.

***ECOFRIDGES** program is a joint project by the Governments of Ghana and Senegal, with BASE and UNEP (United4Efficiency). Developed two financial mechanisms: **green on-wage financing in Ghana and on-bill financing in Senegal**. Similar on-wage project developed by Rwanda Government, BASE and U4E: **R-COOL**.*

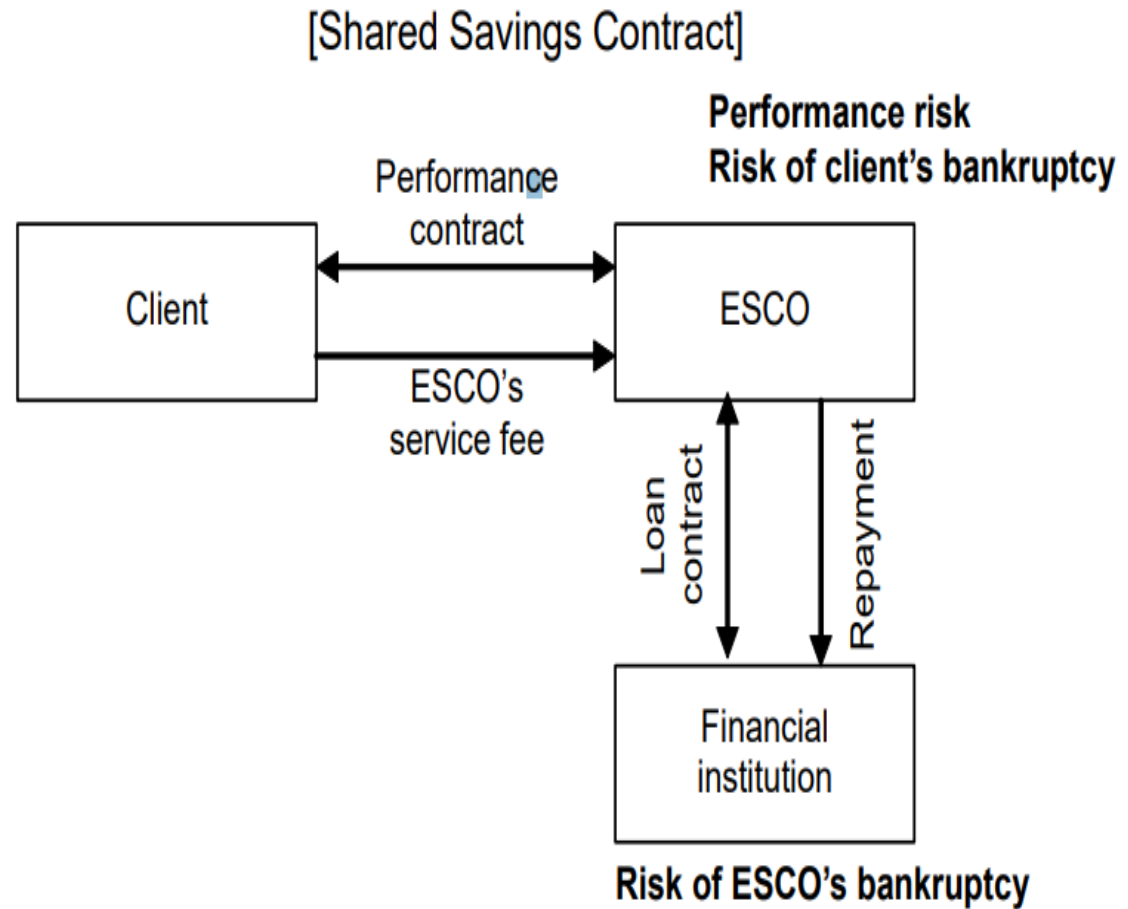
ESCO MODEL

Esco Model

- Addresses operational, technology and financial risks since ESCOs are energy service companies that undertakes energy performance contract (EPC) providing full range of services from design, implementation, installation, financing, and M&V
 - Payments from energy users to the ESCO is contingent to energy saving KPI's (pay-as-you-save)
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- *In India, Partial Risk Sharing Facility by the Small Industrial Development Bank Of India (SIDBI), provided partial credit guarantees to ESCOs to upscale the Super-Efficient Air Conditioning National Manufacturing Program*
 - *In Indonesia, banks financed ESCOs in EE cooling investments mainly in hospitals*

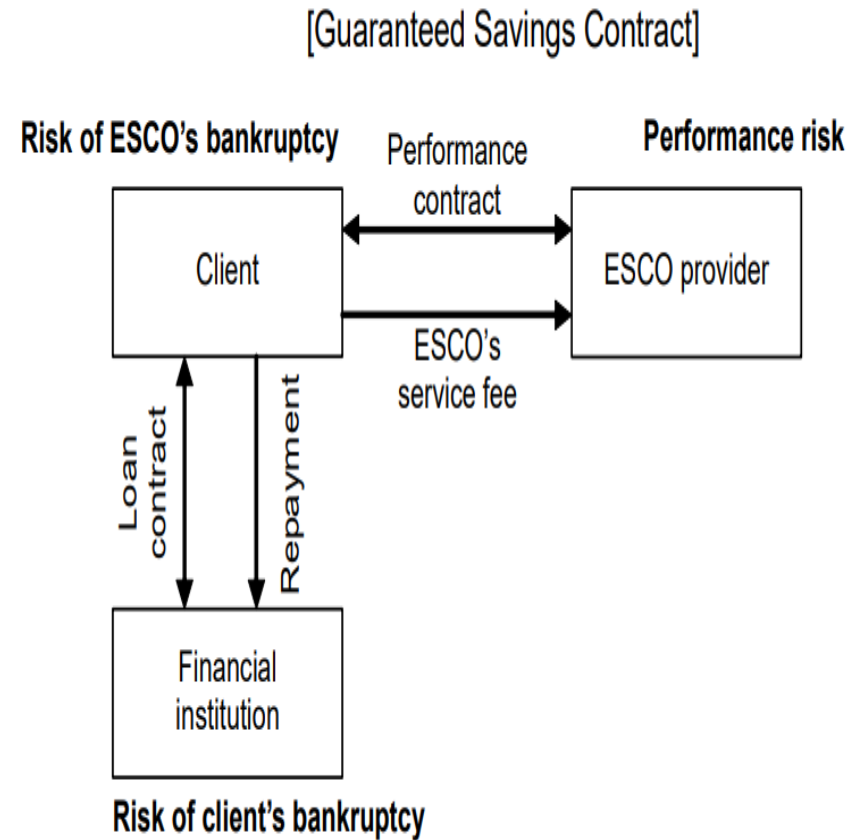
SHARED SAVINGS CONTRACT

The ESCO provider undertakes procurement of finance and assumes both credit risk and performance risk



GUARANTEED SAVINGS CONTRACT

The client undertakes procurement of finance and assumes the credit risk



CARBON CREDIT

Carbon Credit System

- Offers a financing incentive mechanisms based on GHG reduction emissions
- Provides financial incentives for companies to replace old, energy- inefficient cooling appliances with energy efficient and low GWP refrigerants .
- The key challenge is that carbon payments are made post emission reduction verification
- Emission reduction purchasing contracts can provide the required collateral to access debt financing.

(Was one of the objectives included in Lebanon's NCP)

UNCDF MODELS- INVESTMENT PLATFORM

UNCDF's Sustainable Energy financing models

Leveraging its investment platform and financial instruments, UNCDF supports:

- (1) Pipeline origination and development
- (2) Blended finance structuring, financial de-risking through loans and guarantee in order to catalyse private investment in sustainable energy solutions
- (3) Consumer financing to addressing loan repayment risks
- UNCDF partners with UNDP, countries' national stakeholders and impact asset management institutions to offer Blended Finance solutions and technical financing and assistance

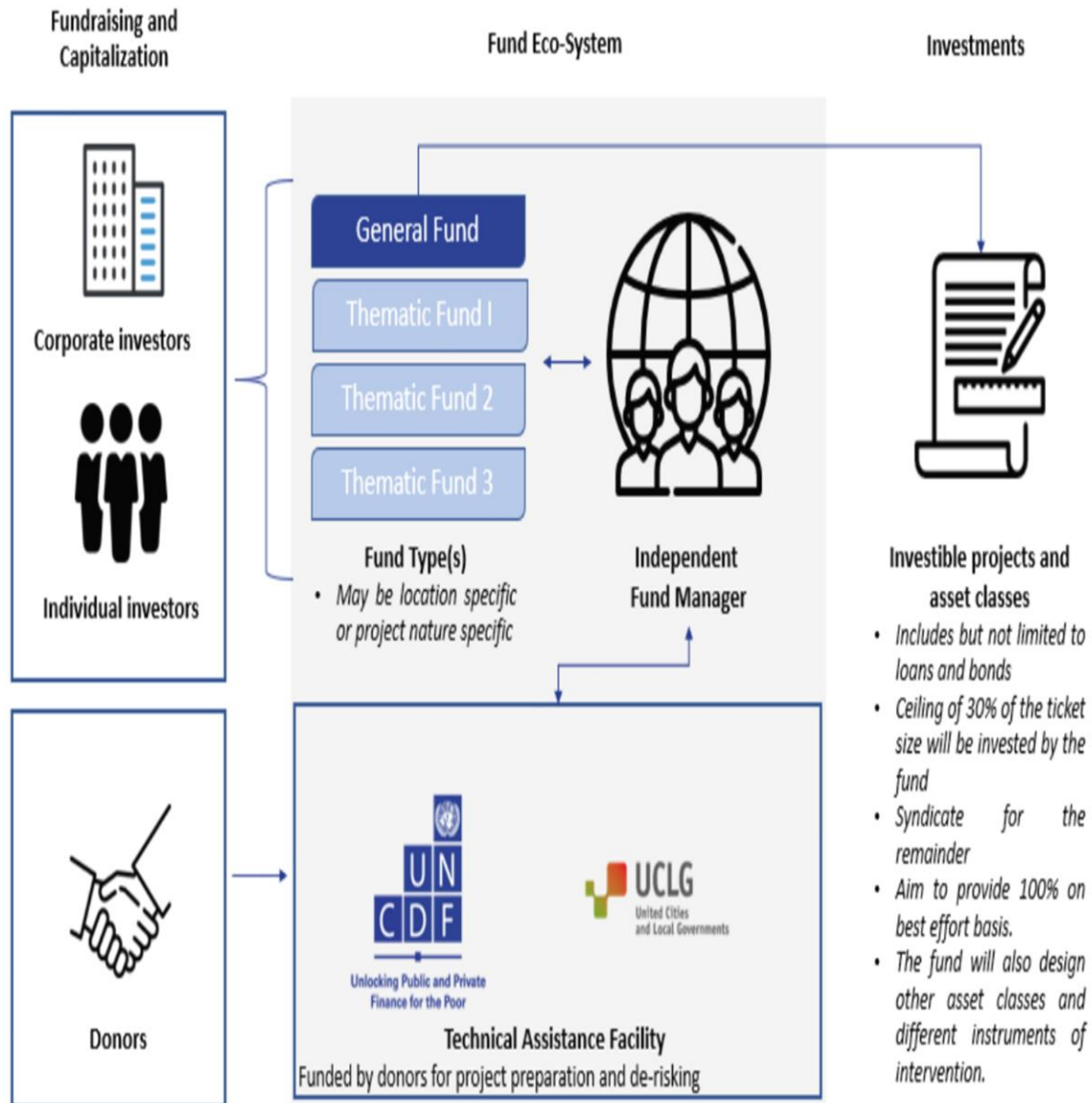
INTERNATIONAL MUNICIPAL INVESTMENT FUND “IMIF”

The International Municipal Investment Fund (IMIF)

Finance municipal infrastructure projects and clean energy products in cities and local governments in developing markets

- 1. Technical Assistance Facility**
 - 2. Blended Finance Funds comprising grants, loans and equity**
- A partnership exists between UNCDF, Fund manager MERIDIAM and United Cities and Local Governments UCLG to establish an IMIF Fund**
 - Size : Euros 350 million**

IMIF FUND



NAMA FACILITY

NAMA Facility

- Nationally Appropriate Mitigation Actions “NAMA” Facility was jointly established by donors and is now a partnership of the UK, Germany, Denmark, the European Commission and the Children’s Investment Fund Foundation (CIFF)
- UNDP and UNCDF jointly access NAMA facility funding to provide technical assistance, policy support (UNDP) as well as financial de-risking through loans and guarantee (UNCDF) in order to catalyze private investment in climate change mitigation projects

EXAMPLE KENYA-NAMA PROJECT

NAMA Facility : Euro23.35 million

- Funding for technical assistance to cold chain service providers, policy support to national and subnational governments and flexible financing mechanism for cold chain service providers to reduce methane emissions through addressing the issue of post-harvest losses and food security

UNDP acts as the technical NAMA Support Organization (NSO)

UNCDF provides various concessional finance instruments to the cold chain service providers

- Direct concessional subordinated loan 10 years tenor (3 years grace period)
- Partial credit risk guarantee against a third-party loan (up to 50% risk coverage)
- Liquidity support facility of EUR 3.1 million to cover delayed payments by farmers

UNDP INSURANCE & RISK FACILITY



In 2021, (UNDP) announced a new flagship initiative — the Insurance and Risk Finance Facility (IRFF), within its Finance Sector Hub and in partnership with Sustainable Insurance Forum SIF

Main objectives

- To work with industry and governments to integrate insurance and risk-financing into the financial management of development projects and national climate change plans
- Expand the supply of inclusive insurance
- Partner with governments to integrate sovereign risk financing facilities in their development projects
- Insure natural capital

CONCLUSION

EE cooling and climate change financing solutions can not be “A Model That Fits All”

Groundbreaking financial schemes can be optimized if tailored and customized based on a need-driven approach and market specifics existing in different countries

Financial innovation is an ongoing need and is a key driver for National Cooling Plans to achieve their ultimate goals

Thank you