



SUSTAINABLE
ENERGY
FINANCE
INITIATIVE

Mobilising Investment in Sustainable Energy Markets

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United Nations Environment Programme
Division of Technology, Industry & Economics (DTIE)

UNEP Energy and Climate Finance Programme

Mandate

A core focus on promoting finance sector engagement in the renewable energy, energy efficiency and carbon markets.

Dual Strategy Approach:

- Fora / Networks / Studies that help develop and share information, build awareness and move the sector up the learning curve.
- Facilities / Programmes that help first mover financial institutions to develop and implement new products, commercial strategies or investment approaches.

Promoting Finance Sector Innovation

Challenge Grants for New Product Development



- **Wind Derivative for Large Scale Wind Farm Projects in Mexico**
 - Paris Re and Marsh Finance
- **Wind Farm Insurance Facility in China**
 - Lloyd's Ascot Renewco and Marsh UK
- **Renewable Energy Insurance Facility**
 - Carbon Re, Munich Re, Royal & SunAlliance, Climate Change Capital, GSDP, PRS and UPCAR Tunisia
- **Insurance Products for Small Scale Biomass in India**
 - Crestar Capital and IFFCO/Tokyo General Insurance

Finance Continuum for Enterprises Deploying Small Scale Technology

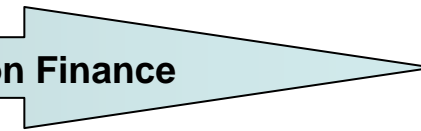
Upstream

Downstream

Start-up Capital

Operating Capital

Transaction Finance



Enabling Environment

Procedures for starting a business

Fiscal incentives

Energy prices

Fossil fuel subsidies

Often Secured Finance

Entrepreneurs Equity

Supplier Credit

Occasionally Secured

Grants

Working Capital Loans

Carbon Finance

Gaps

Lack of business skills

Lack of start-up capital

Lack of growth capital

Banks lacking experience

Lack of end-user financing options

Enterprise Development Services

Seed Capital Funds

Private Equity Funds

Building capacity & sharing risks with local banks

Consumer Finance

Micro-Credit

Leasing/Rental/ Fee for Service

3rd Party Finance

Proposed Interventions

Policy Support for SMEs

Risk Capital to drive innovation

End-user finance to scale up markets



Seed
Capital
Assistance
Facility



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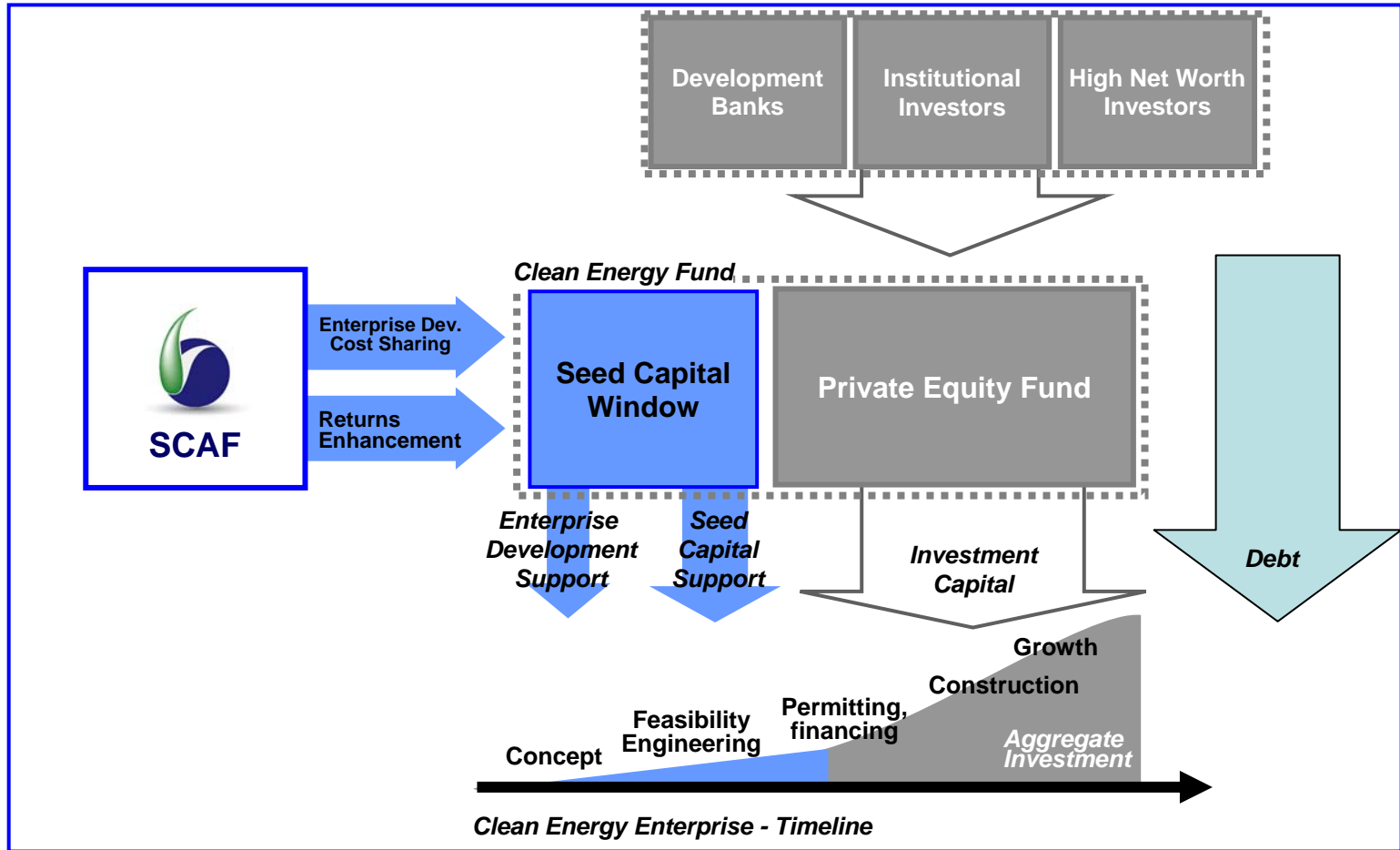


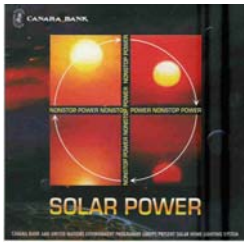
*Mobilising early stage investment
for clean energy project
and enterprise developments.*

Seed
Capital
Assistance
Facility



Seed
Capital
Assistance
Facility





Shifting Cash Markets to Credit



- Cash markets for household RE/EE technologies exist
 - And yet **banks don't lend** for them, for reasons of: perceptions, scale, lack of competitive drivers
- Can **public interventions** be used to help banks begin lending
 - Training, guarantees, interest subsidies, utility billing, etc
- Objectives of these programmes
 1. Help banks write their first **10,000 loans**,
 2. And continue to scale-up lending post programme
 3. Creating **competitive forces** that brings other banks into the market.
- UNEP/Bank Partnership Loan programmes
 - Tunisia for solar water heating (62,000m² in 2007, up from 8000m² in 2004)
 - India for solar PV (19,500 loans, up from 1,400 in 2003)
 - Other programmes in Ghana (PV); Morocco (SWH)
 - Other programmes in preparation in Indonesia (PV); Albania (SWH), Montenegro (SWH), Chile (SWH) and Mexico (SWH); Tunisia (high efficiency refrigerators)
- **Lesson:**
 1. **Strong feedback loop between financing and policy making.**
 - Banks beginning to lend sends the signal to policy makers that RE is mature and ready to play a significant role in a countries energy mix
 2. **Involvement of utilities and govt agencies critical to create the right conditions for bank engagement**
- Next Steps
 - Looking to develop 3 to 4 new bank loan programmes in Asia in 2008/2009

SEFI Public Finance Alliance (**SEF Alliance**)

coalition of public and publicly backed funds and agencies that finance sustainable energy markets development

Addressing:

- What sort of public and public-private funding instruments work best
- Implementation approaches, learning from others successes and failures

Founding members:

California Energy Commission
UK Carbon Trust
Finish Innovation Fund SITRA

Sustainable Energy Ireland
Sustainable Development Technology Canada

- Operates in association with 15 member funds of the US Clean Energy States Alliance

- **Seeking new members in Asia and broader cooperation activities.**



The UNEP
Sustainable Energy Finance Initiative



Foster a sustainable energy finance community that brings together financiers and catalyses public-private alliances to share costs and lower barriers to investment.

<http://sefi.unep.org>

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THANK YOU!