



# Thailand's Energy Efficiency Revolving Fund :

## A Banker's Perspective

**Chirawut Chaiyawat**  
**FVP, Corporate Banking Division,**  
**CIMB THAI Public Company Limited,**  
**Thailand**

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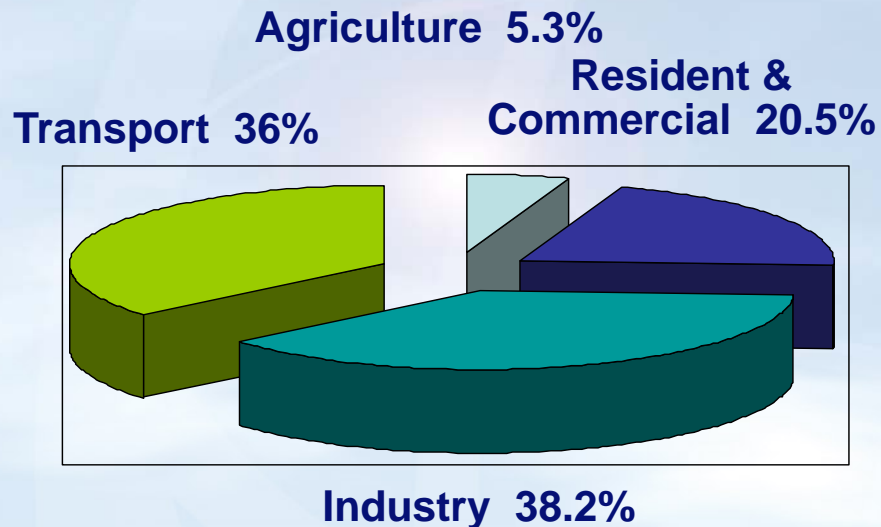
## Presentation Outline

- Significance of Energy for Thai Economy
- Barriers & Approaches
- Energy Efficiency Revolving Fund
- CIMB THAI's Experiences in Energy Efficiency Financing in Thailand

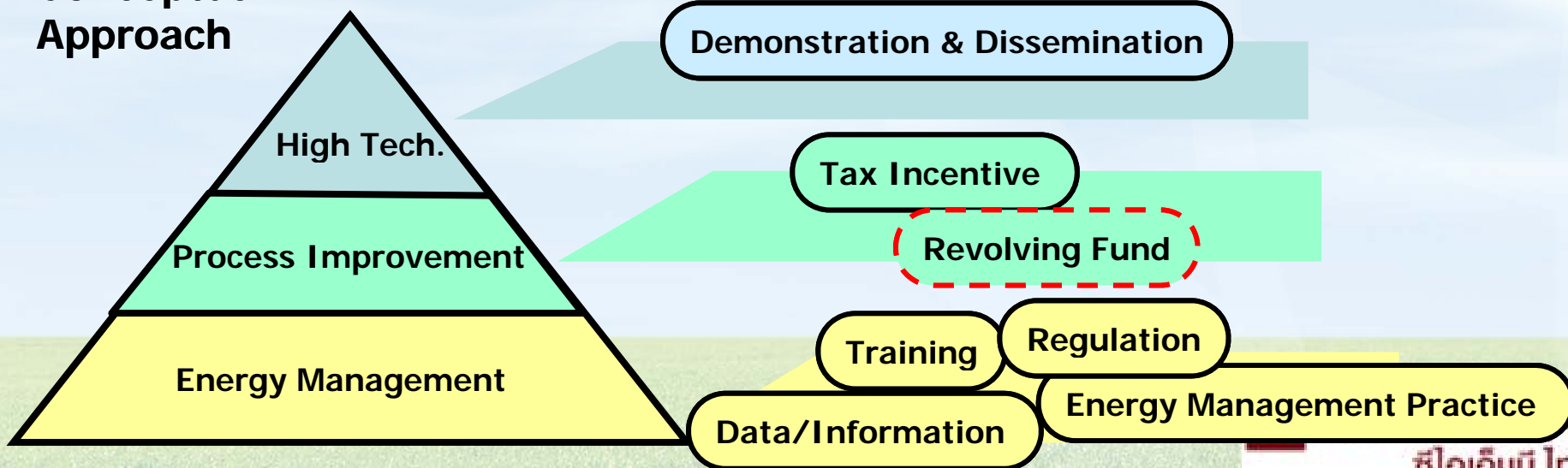


# Significance of Energy for Thai Economy

- Energy is the basic factor of economic development
- Energy costs accounted to about 15% of GDP – over US\$35 billion.
- 60% of commercial energy was imported.
- Still room for energy efficiency improvement.



## Conceptual Approach





## Barriers / Approaches

### Barriers

- Insufficient of public relation and lacks of networking
- Difficult to access authority key persons.
- Higher perceived risks.
- Limited of funds.

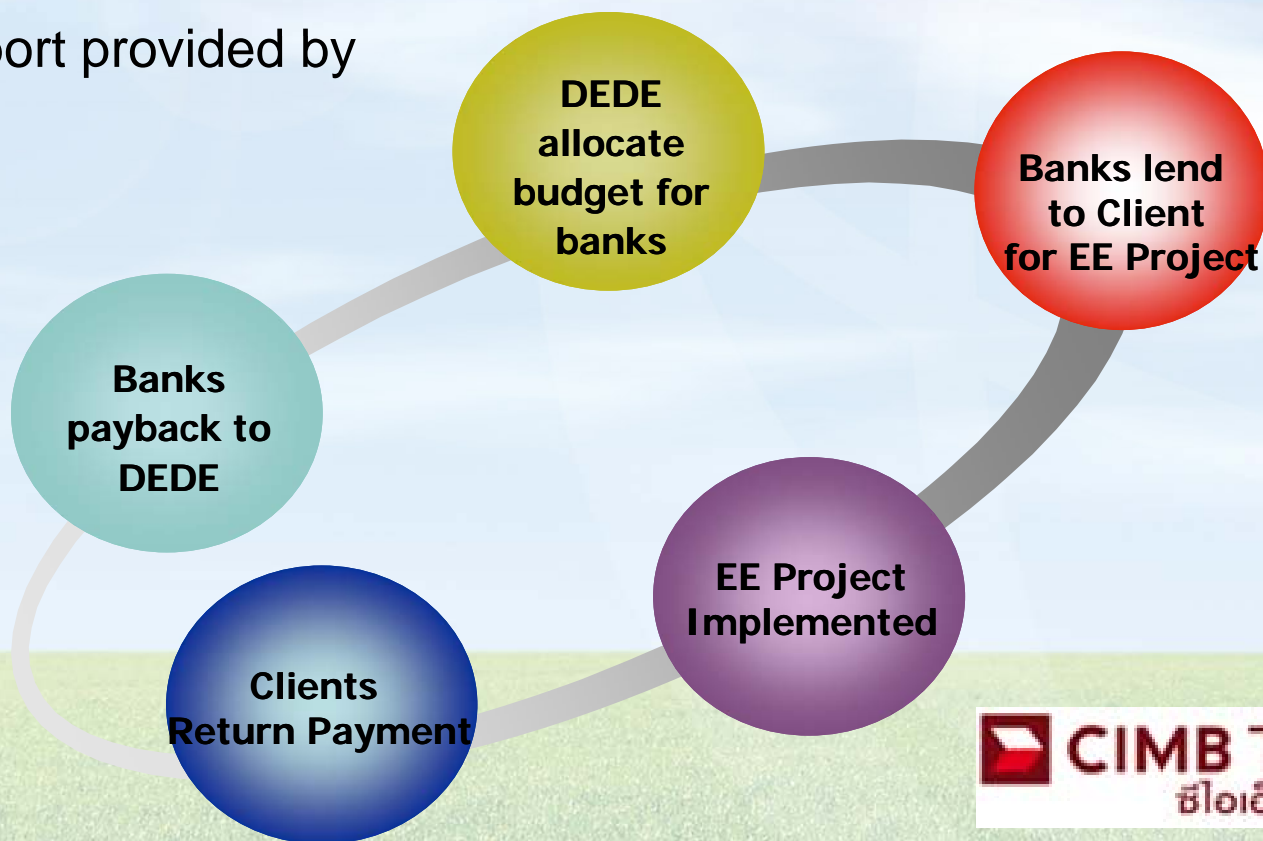
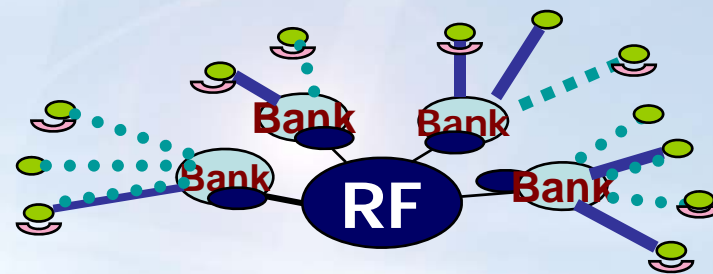
### Approaches

- **Banking Channel**
  - High customer base.
  - Ability to motivate customers' key persons.
  - Proactive Government relationship.
- **Education by co-marketing activities with banks.**
  - Success cases
  - On site visits
  - ESCOs
- **Government Funds**



## Energy Efficiency Revolving Fund

- Partnership of Government and Banking Sector for Energy Conservation Program.
- Stimulate EE commercial investments.
- Technical support provided by Government.





## Terms and Conditions of RF

|                                      |  |
|--------------------------------------|--|
| <p><b>Size of Revolving Fund</b></p> | <p>EE Phase I : US\$55 million (Completed)<br/>                 EE Phase II : US\$55 million (Completed)<br/>                 EE Phase III : US\$55 million (On going '07-'10)<br/>                 RE Phase I : US\$27.5 million (On going '07-'10)</p> |
| <p><b>Loan Period</b></p>            | <p>maximum 7 years</p>   |
| <p><b>Eligible Borrowers</b></p>     | <p>Facilities' owners, ESCOs and project developers</p>  |
| <p><b>Eligible Projects</b></p>      | <p>EE improvement or RE development and utilization</p>  |
| <p><b>Loan Size from RF</b></p>      | <p>Up to 100% of project costs per measure but not more than US\$1.40 million.</p>   |
| <p><b>Interest Rate</b></p>          | <p>Less than 4% p.a., negotiable basis</p>   |

EE : Energy Efficiency Fund

RE : Renewable Energy Fund



## Eligible Investment Costs

- Equipment and installation costs.
- Consulting costs – design, control, supervision, guarantee fees.
- Civil works, piping, or necessary components specifically and necessary for the project.
- Associated costs necessary – removal of existing equipment, transportation, taxes, VATs.

Not Eligible: Land costs, Land improvement costs, building construction, costs not specifically needed for the project e.g. main transformers, substation.



## CIMB THAI's experiences in Energy Efficiency Financing

**Our solution is to offer value added benefits from energy efficiency to our customers.**

### Rationale

- Energy expenditure is one of the most significant costs for business.
- Trend of higher energy cost in the future and the need for energy importation.
- Inefficiency in energy consumptions.
- Enhance business competitiveness from energy efficiency improvements.



# CIMB THAI's Experiences In Energy Efficiency Financing

| Year | Partnership                   |     | Additional CIMB THAI Loans |
|------|-------------------------------|-----|----------------------------|
|      | Government Agency (DEDE)      | PTT |                            |
| 2001 | ESCO Pilot Project            |     |                            |
| 2002 | Revolving Fund Phase I        |     | ✓                          |
| 2005 | Revolving Fund Phase II       |     | ✓                          |
| 2006 |                               |     | ✓                          |
| 2007 | Revolving Fund Phase III      |     | ✓                          |
|      | Renewable Energy Fund Phase I |     | ✓                          |

BT NGV

**DEDE** : Department of Alternative Energy Development and Efficiency

**PTT** : PTT Public Company Limited

**NGV** : Natural Gas for Vehicle (CNG : Compressed Natural Gas)





## Overall Energy Saving of RF Program

|                           | Phase 1     | Phase 2     | Total        |                      |
|---------------------------|-------------|-------------|--------------|----------------------|
| <b>Project Cost</b>       | <b>85.7</b> | <b>94.8</b> | <b>180.5</b> | <b>US\$ million</b>  |
| <b>RF Loan</b>            | <b>47.7</b> | <b>47.0</b> | <b>94.7</b>  | <b>US\$ million</b>  |
| <b>Payback period</b>     | <b>2.4</b>  | <b>2.45</b> | <b>2.44</b>  | <b>years</b>         |
| <b>Electricity saving</b> | <b>15.6</b> | <b>15.7</b> | <b>31.3</b>  | <b>US\$ mil/year</b> |
| <b>Oil saving</b>         | <b>19.5</b> | <b>23.0</b> | <b>42.5</b>  | <b>US\$ mil/year</b> |
| <b>Total saving</b>       | <b>35.1</b> | <b>38.7</b> | <b>73.8</b>  | <b>US\$ mil/year</b> |

DEDE 's study report



## Conclusion

### WIN-WIN-WIN SITUATION

**Project Owner** ⇒ Satisfactory return (IRR)

⇒ Enhance competitiveness

**Banks**



Enhance customers' value added  
benefits

⇒ Competitive full range of services

⇒ Profitable loans

⇒ Good image

**Country**

⇒ Improve the Balance of Payment

⇒ Reduce fossil fuel consumption

⇒ Reduce global warming pollution



# Thank you

Email : [chirawut.c@cimbthai.com](mailto:chirawut.c@cimbthai.com)