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Conclusions of the Conference Financing the Future of Energy Efficiency

5th October 2017 Riga

Welcomed by Baltic Development Forum in collaboration with the Council of the Baltic Sea States and the Ministry of Economics of the Republic of Latvia, over 70 participants gathered to discuss the *Financing the Future of Energy Efficiency* in Riga this month. The seminar's objective was clear – to provide a platform for cross border dialogue between business representatives, local government, city and municipal representatives, financing institutions and academia. Their common challenge? How to accelerate the implementation of energy efficiency projects, whilst being challenged by shrinking budgets? The seminar confirmed that financing instruments for energy efficiency projects are of the utmost importance if future energy efficiency results are to be achieved until 2020 and 2030.

Funding Energy Efficiency

It is repeatedly emphasised that public funds need to be spent more effectively. An obvious shift in the approach to energy efficiency project funding; a transition from grants to market-oriented financial tools, for instance loans, guaranties and bonds was presented as one way to support such a notion. The development of a better understanding of the balance between risk, return and pay off periods and how to make projects financially and commercially feasible was promoted as an area for improvement. One barrier towards implementation is the restriction on borrowing for municipalities. Often municipalities are not allowed to take on financial commitments and new borrowing, and banks rarely fund ideas, but rather assets, making public financing a potential ending point for energy projects. It was noted that municipalities should therefore develop a better understanding of how they can cluster various green assets from different sectors to secure funding. Diversifying project portfolios and developing new business models are key areas to limit exposure to external risks such as the volatility of energy prices in general.

Supportive legal frameworks

Ensuring legal frameworks that support the 'bundling' of energy efficiency projects is key for their future implementation. Additionally, the bankability, and scalability of projects, in coordination with simplified rules can also contribute to the acceleration of energy efficiency projects in the future. A stronger political will was also noted as central in increasing the potential of energy saving projects, whilst raising accountability on delays, wasted time and resources.

Business cases and a need for standardization

Speakers shared their experiences and concrete cases on financing energy efficiency solutions. The ESCO (Energy Services Company) model was highlighted as a successful method allowing secure savings on energy, CO₂ emissions, services, and even improved quality of the product. Reservations were noted that ESCO should ensure that the EPC contracting is made in the proper way, with all stakeholders clearly understanding the scope of the provided services, where profit is being shared and its application across multi-stakeholder or ownership facilities. A call for standardisation was repeatedly raised amongst participants as one measure to mitigate risk of individual projects.

Concluding the seminar, participants and speakers confirmed the need to be better connected in developing an integrated approach to tackle the challenges inherent in energy efficiency projects, with emphasis on financing. This must be addressed as a crucial element in securing ongoing climate mitigation efforts.