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ENERGY EFFICIENCY: A STRATEGIC AGENDA FOR GOVERNMENT AND INDUSTRY

PROJECT FINANCING

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Why Energy Efficiency matters to Jordan



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Energy Efficiency will help ...

- improve environmental conditions in the kingdom
- increase competitiveness of companies by lowering energy costs
- raise standards of living through increased quality and reliability of energy services and lower energy consumption bill
- reduce (economic and strategic) dependence on imported energy resources and related drain on hard currency

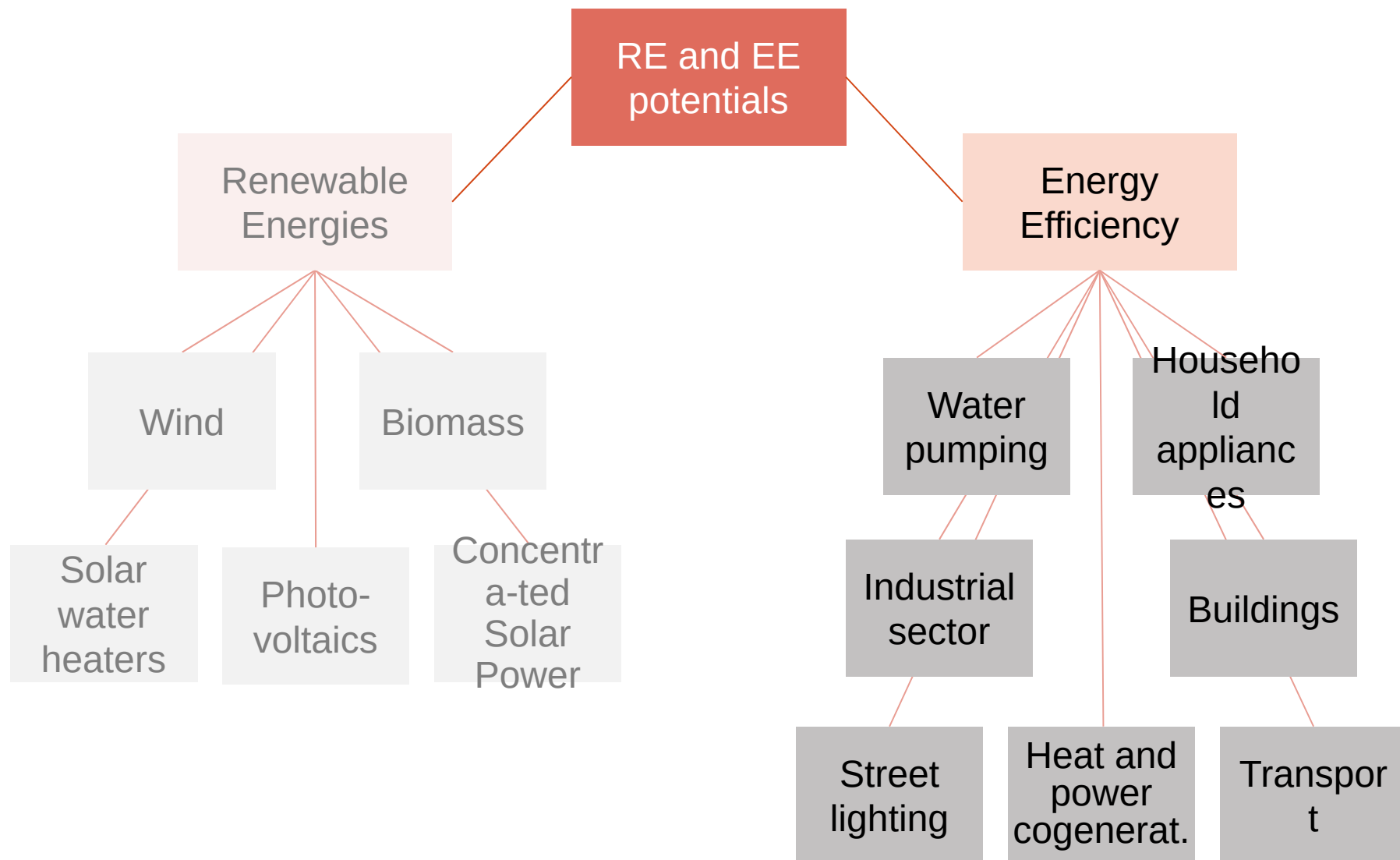
RE and EE potentials in Jordan



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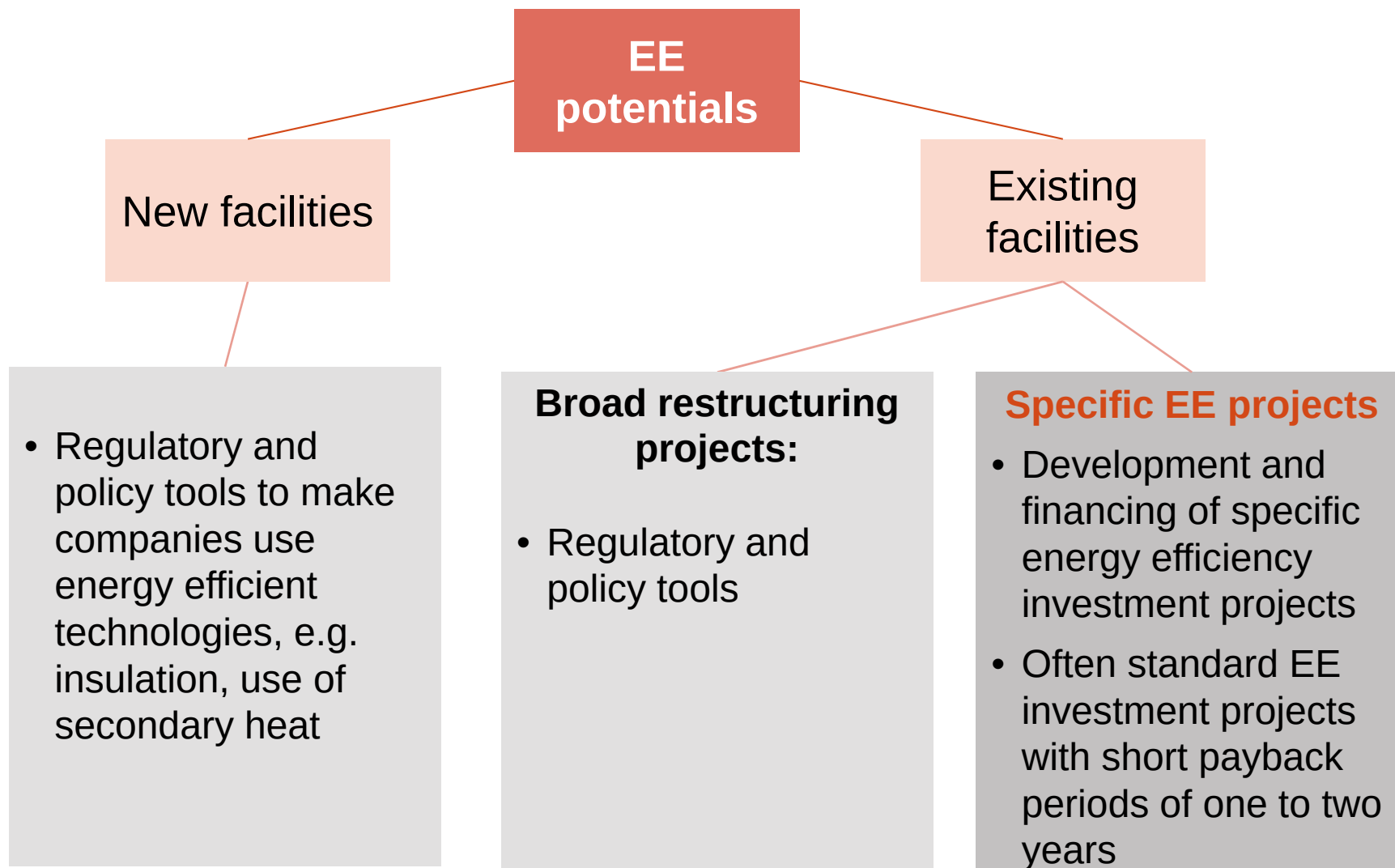
EE support tools



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Barriers to specific EE projects



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- Energy efficiency projects compete for **scarce capital with more traditional investments such** as power plants and industrial expansion.
- Energy efficiency projects are perceived to be **more risky than supply side projects because** they are often non-asset based investments, i.e., collateral is difficult to obtain.
- Many energy efficiency projects and ventures are **too small to attract the attention of large** multilateral financial institutions.
- The **legal and regulatory frameworks are not fully** compatible with energy efficiency investments, particularly performance contracting.
- Few in-country financial institutions have **experience financing energy efficiency projects** or ventures.

→ **Market intervention needed to stimulate EE**

Institutional delivery mechanism for EE investment projects



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- 1. Loan financing schemes and partial loan guarantee schemes** to leverage private investment, operating either within the commercial banking system or as specialized development institutions or revolving funds.
- 2. Use of energy service companies (ESCOs)**, i.e. any company using energy performance contracting (EPC) between the ESCO and its client, involving an energy efficiency investment in the client's facilities, the performance of which is somehow guaranteed by the ESCO.
- 3. Utility demand-side management (DSM) programs**, where energy distribution utilities organize all aspects of delivery, including financing, technical development, and interface with users.

Government tasks for stimulating EE finance



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- Establish **pricing system** that adequately reflects the cost of energy (at least internal costs, ideally also external costs)
- Set up **legal framework** to stimulate the development of ESCOs and encourage utility demand side management programs
- Set **example through programs** for efficient energy use in government buildings
- Provide access to ODA resources in order to leverage private equity investment in energy efficiency:
 - GEF
 - Worldbank
 - EU Global Energy Efficiency and Renewable Energy Fund
 - Asian Development Bank
 - Carbon Funds
 - Bilateral Agencies such as AFD, KfW, ...

→ **What else ?**