

Haruhisa Ohtsuka@IFC

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To CIF Admin Unit, Lesley Wilson
cc Noleen Dube, Lisa Da Silva, Natalia Magradze, Joumana Asso
Subject Re: Fw: Ang. Turkey: Commercializing Sustainable Energy
Finance Program [Notes Link](#)

Lesley,

Pls see below our responses in [blue](#). They respond to the questions you have kindly forwarded to us below.

Thanks,
Haru

Haru Ohtsuka
Investment Officer
Environment & Social Development Department - IFC
2121 Pennsylvania Ave., NW
Washington, DC 20433
Tel: +1 (202) 458-5841 Fax: +1 (202) 974-4347
E-mail: hohtsuka@ifc.org Web: www.ifc.org

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START

We would like to have more information about the role of the EBRD, since it is not well defined in the documents.

The Program has been coordinated with the EBRD from the early concept stage. EBRD is in the process of preparing a similar project which is due for EBRD concept review in early October and submission to the CTF Trust Fund Committee shortly thereafter. The cooperation between IFC and EBRD is primarily at the macro level, with both institutions doing similar work in different parts of the market in order to ensure enough market penetration to catalyze transformation and sustainability. Each institution is drawing on its existing and new client relationships and coordinating their approach with target FIs and sectors. Also both entities are sharing lessons learned and will closely cooperate in the implementation of the advisory component of this Program.

Would you be able to confirm that other FIs than TKB and TSKB will be involved in this project, and if this is not the case explain why the same institutions would be used again.

We confirm that we will be working with FIs other than TKB and TSKB. This Program complements the IBRD project which focuses more on renewable energy projects, and promotes energy efficiency projects primarily in larger industries. In contrast, the IFC Program focuses more on promoting energy efficiency in the SMEs and the commercial and municipal sectors in Turkey.

While the energy efficiency component of the program is properly described, there is little information about the kind of investments to be carried out in renewable energies. In this sense, we miss information about tariffs, demand

and other issues to ensure sustainability of the projects.

The Program's main focus is to promote energy efficiency primarily in the SME sector through financial intermediaries. Small scale renewable energy projects represents the secondary market segment for this Program and tend to be undertaken as an energy alternative for individual companies. As our market analysis and experience from other countries show, these projects can be fuel switching projects (replacement of coal fired boilers for biomass), small/micro scale wind and PV solar projects in SMEs and commercial applications, solar hot water projects and in some instances small hydro projects as well as biogas cogeneration projects. The Government of Turkey has ambitious plans for renewable energy and has the legal and regulatory framework in place for such renewable energy projects. However, implementation is being constrained by the lack of financing available, especially since FIs are not yet focused on small scale renewable projects. The Program will help address that gap.

Regarding the "transfer of concessionality" to the final beneficiary of the loan, would it be possible to know how the concessionality is shared between the banks involved and the final beneficiary?

It is not a prerequisite of the Program that the concessionality goes to the final beneficiary. Providing cheaper loans to end users assumes that the barrier for energy efficiency is cost for the end user. In our experience, the availability of finance is often more important. We are looking for the biggest influencing factor to encourage uptake of the new products and sometimes, incentivizing the loan officers (who ultimately "sell" the products to end users) is more effective than simply offering a "cheaper" loan to end users. The additional risk with offering cheap loans into the market is that it sets expectations for pricing that cannot be maintained once the subsidies run out. We are very sensitive to this and will assess each situation on a case by case basis to ensure that the right incentives are created to maximize impact. How to pass on the incentives in order to address all barriers, including on the final beneficiary side will be a key discussion point with participating FIs.

It is important to know how this Program fits into the Government's plans in the sector

The Turkish government has made energy efficiency one of the key priorities for 2006-2012, especially in relation to the EU accession process. For instance, year 2008 was declared the Year of Energy Savings. A Turkish Energy Efficiency Law was passed in February 2007 with a number of supportive provisions for the role of ESCOs, obligatory audits, building codes, obligation to employ energy managers, etc. The Energy Efficiency Coordination Board is responsible for activities regarding the law. Demand side energy saving potential is estimated to be around 2.5 billion EUR/year. This proposal has taken this governmental support fully into account and the Program has been designed to support implementation of the target, especially in the SME sector.

Although we know the special status of Turkey regarding the UNFCCC, we would also like to know if there is any possibility to purchase the carbon credits resulting from the program.

IFC is reviewing the possibility of trading the carbon credits resulting from the program. This point was discussed during the Program preparation many times. The key challenge is the nature of the expected portfolio of small energy efficiency projects with several FIs. Individual projects by themselves are usually not feasible for direct carbon trading given their small size/high transaction costs. However, the Program will explore the opportunity to bundle small projects through FIs or by other market aggregators.

A guide is to be prepared on best practice regarding energy efficiency. It would be important to share all the existing experience and to associate the other actors involved in Turkey in this regards.

(iv) the programme contributes to the development of skills and practices both within the banks themselves and

within the sector that will implement the energy efficiency and renewable energy measures.

Regarding the fourth point, we expect that the "best practice manual in financing of energy efficiency" mentioned in the document contribute to disseminate the knowledge of the FIs to the whole Turkish financial sector.

This is definitely a great idea and the publication will take it into account. The publication will be developed as a result of the market-wide advisory work, and local and international market resources will be key part of this effort.

END