

Workshop Proceedings

Stakeholder Workshop on De-risking Instruments for Energy Efficiency in the Philippines

Under the TA-9395 on "Support for the
Implementation of the Asia-Pacific Climate Finance Fund"

Venue: Department of Energy Office, Manila
Tuesday 5th December 2023

I. BACKGROUND

The half day stakeholder workshop was organized to kick-off the study on de-risking instruments for energy efficiency investments in the Philippines. The workshop focused on evaluating the market readiness in the Philippines through physically engaging with key stakeholders representing the public sector, banks, development organizations, energy service companies, and other relevant agencies and experts working on energy efficiency.

The objective of the kick-off workshop was to:

- Present the concept brief covering the different financial de-risking instruments promoting energy efficiency financing and investments.
- Capture the views of stakeholders about perceived risks, barriers, regulatory, policy or technology issues, market behavior and other related subjects.
- Discuss the role of the Department of Energy (DOE) and other public sector stakeholders in the structure.
- Analyze the potential role of the Insurance Commission of the Philippines and other key stakeholders and how to integrate them in the overall structure of a suitable de-risking product.
- Identify and document the areas for capacity building required for key stakeholders.
- Evaluate the potential market interest and refine the analysis based on feedback from stakeholders.

II. WORKSHOP AGENDA

Time	Agenda
9.30 am	Registration
10.00 am	Welcome remarks by Mr. Patrick T. Aquino, Director, CESO III, Energy Utilization Management Bureau, DOE
10.10 am	Remarks by Junkyu Lee, Director, Finance Sector Office, Sectors Group, ADB
10.20 am	Remarks by Thomas Kessler, Principal Finance Sector Specialist (Disaster Insurance), Finance Sector Office, Sectors Group, ADB and David Morgado, Senior Energy Specialist, Energy Sector Office, Sectors Group, ADB
10.35 am	Presentation by Sanjay Dube, International Institute for Energy Conservation (IIEC), ADB Consultant on De-risking Instruments for Energy Efficiency

11.15 am	Questions and Open discussion
12.00 pm	Summarization of key take aways
12.15 pm	Close

III. ATTENDEES

DOE - EUMB - EPMPD:

Lana Rose A. Manaligod	Assistant Director, EUMB
Jerick Kuh D. Nalaunan	Senior SRS, EUMB-EPMPD
Raziel Angela Lizardo	SRS II, EUMB-EPMPD
Mary Grace Q. Razonable	SRS, EUMB-EPMPD

ADB:

Junkyu Lee	Director, Finance Sector Office
Thomas Kessler	Principal Finance Specialist, Disaster Insurance
David Morgado	Senior Energy Specialist
Sanjay Dube	Consultant

Stakeholders:

Noli Cruz	Vice President, DBP
Maria Eliza C. Galvan	Head-IBCFG, DBP
Faizal Hassan	Program Officer, DBP
Anna Liza Eugenio	Team Head, SDF, BPI
Maria Bianca G. Garcia	Product Officer, BPI
Juvy Sordan	Product Officer, BPI
Silverio Navarro, Jr.	Consultant, BPI
Alexander Ablaza	CEO, Climargy, Inc.
Hazel D. Planco	Secretary Manager, PEZ
Ayesha Sarapuddin	Program Officer, British Embassy
Elaine Layus	Finance Officer, IIEC

Stakeholders: Attended Virtual

Narciso Roy Reyes	Program Assistant, LandBank
Dorella Maye T. Perlas	DOE
Angela Mae Concepcion	DOE
Ingrid Faye P. Calayag	DOE
Victorino Getalado, Jr.	DOE
Anabel M. Elmaga	DOE
Arnel Angelo P. Revilla	DOE
Erwin D. Peregrino	DOE
Aaron R. Premacio	DOE
John Levi M. Mecca	DOE
Roselle L. Ibuna	DOE
Aira Baluyot	DOE
Cynthia P. Manalac	DOE
Angela Maureen R. Panapanaan	DOE

IV. Workshop Proceedings:

1. Ms. Lana Manaligod, Assistant Director, DOE, welcomed the participants. Following her welcome, pre-recorded welcome remarks were delivered from Mr. Patrick T. Aquino, Director, , DOE. Mr. Aquino in his remarks stressed the need for effective implementation of energy efficiency and role of de-risking financial instruments. He expressed interest in the study conducted by ADB and expect to trigger interest in energy efficiency de-risking instruments in the Philippines.

2. After the round of introduction, Mr. Junkyu Lee, Director, ADB, delivered the special address and stressed the requirement of unlocking energy efficiency financing and investments and the role of various de-risking instruments. Mr. Lee said that given the current climate change and energy challenges in Asia and Pacific, this study is expected to contribute to develop and innovate climate financing that was required in each country. Energy savings and energy security are important, and financial risk management instruments may help bridge the gap in further promoting energy efficiency financing. Especially to address the market barriers, it is very important that we look into ways to effectively mitigate risks. This kick-off workshop will help in conducting a detailed study in future on the de-risking instruments to promote energy efficiency investments in the Philippines.

3. Thomas Kessler, Principal Finance Specialist (Disaster Insurance), ADB, emphasized the role of de-risking instruments and encouraged all the participants to contribute their thoughts to explore how to further unlock energy efficiency investments. He informed that the study on de-risking instruments is being conducted with support from Asia Pacific Climate Finance Fund (ACLiFF) which has more funding available to support the design of a pilot. Today at this kick-off workshop, ADB wants to understand which specific areas and sectors offer the opportunities for promoting energy efficiency investments. ADB wants to discuss the bottlenecks and how de-risking instruments potentially can help in overcoming them. De-risking instruments have been successfully applied in different parts of the world. We will explore how they can be adjusted to make them work in Philippines. The international and local re-insurance sector need to be involved at an early stage to discuss the risks for the investors and project owners in energy financing and investment.

4. David Morgado, Senior Energy Specialist, ADB, mentioned that energy efficiency is very much the priority for ADB and the entire Asia Pacific region. ADB is working with both public and the private sector for promotion of energy efficiency programs, policies, and technologies. ADB has been providing grants and other resources in developing countries for design and implementation of innovative energy efficiency programs. Yesterday, ADB announced a contribution of \$10billion at COP 28 to the Philippines for climate change related program and we are hoping that much of that contribution should be utilized for energy efficiency activities.

5. Sanjay Dube, Consultant, ADB made the presentation on energy efficiency investment opportunities, barriers in implementation, and the national determined contribution (NDC) commitments from the Philippines. He presented various de-risking instruments which are under implementation in different parts of the world. The details about the credit guarantees, performance guarantees and insurance products were presented. At the end of the presentation, the following questions were asked to the participants to document their views on de-risking instruments for energy efficiency:

- a. Is there an interest from the market in providing financing for energy efficiency? If yes, why? What are drivers like? If not, what are the challenges?
- b. Do you see the potential for design and implementation of guarantees, insurance, and other de-risking instruments for energy efficiency? If yes, which de-risking instrument would be more useful for the Philippines?
- c. Which are the potential sectors for implementation of proposed de-risking instrument – SMEs / buildings / industries / others?
- d. Do you think the existing ESCOs, risk management providers, banks and other lenders have the capacity to implement the de-risking instruments. If not, what kind of capacity building support is required?
- e. What are the key barriers that you envisaged for the introduction of the proposed de-risking instrument. How to overcome these barriers?
- f. What could be the potential role for DOE, Insurance Commission, international agencies, financing institutions, insurers and re-insurers, and other stakeholders in the implementation?
- g. Would you be interested in piloting a de-risking instrument for energy efficiency?

The summary of responses from participants is presented below.

- For DOE, the Energy Efficiency and Conservation Act 2019 has triggered several opportunities for energy efficiency and the largest opportunities are in industry and transport sectors. The LGUs need a resolution by the local government to have a contract with ESCO. DOE stressed the support in developing standardized contracts for ESCOs.
- BPI Bank wants to see de-risking products in the market. BPI has their own energy efficiency finance team and insurance team. But despite having in-house capacities, the ESCO financing still requires collateral.
- The Bank of the Philippine Island (BPI) finances Heating, Ventilation and Air Conditioning (HVAC), Chillers and Lighting programs.
- The Development Bank of the Philippines (DBP) can cover up to 100% of the finance of energy efficiency projects for government and LGUs. Despite the EE&C Act, the issue is enforcement and therefore demand remains limited.
- DBP provide support on a project-by-project basis, and they feel that the banks are ready to provide support if enforcement is applied. DBP is now setting internal targets for climate change. De-risking could be useful for more complex projects but demand for these products needs to be in place.
- DBP mentioned that the product needs to be attractive financially. Guarantees can help but the resolution process can be cumbersome.
- DBP's legal team has developed some templates but they would be happy to see standardized contracts available for banks for financing ESCOs or other energy efficiency projects. They would also welcome a technology list to help in the selection of eligible equipment.
- Banks indicated that for energy efficiency, they would like to finance projects of size 10 - 15 million pesos at least (around \$200k).
- Suggestion was given that we also speak with Philippine Guarantee Corporation attached to the Ministry of Finance.
- Alexander Ablaza from P2E mentioned that ESCOs do not have access to suitable financial solutions as ESCOs do not have strong balance sheets. And due to this, ESCOs cannot implement more than 2-3 projects at a time.

- Alexander informed that the SME sector presents a large opportunity but remains untapped. Equity needed and expansion of range of products from banking and non-banking institutions.
- ESCOs prefer clients with higher credit ratings - easier to finance but de-risking instruments can help ESCOs tap to smaller players with weaker balance sheets – which can open a potential door subject to solving other barriers.
- There is a need for a non-banking finance in Philippines for financing ESCOs. When ESCOs and the underlying financing are de-risked in Philippines, the nation would be in a better position to introduce de-risking instruments.
- Mr. Silver, BPI RE consultant, mentioned that the driver of energy efficiency is the high electricity price. There are many opportunities for EE in government buildings, water pumping and LED streetlighting. Most LGUs do not have the capacity to procure and prepare energy efficiency projects. Thus, de-risking instruments are needed. They are also needed for energy audit preparation and costs.
- Insurance products will need some aggregations to reduce the cost of premium for the first projects.
- Ms. Ayesha Sarapuddin from UK-FCDO mentioned that they stand ready to support DOE and they have previously worked on ESI and EE in the Philippines. FCDO also helped DOE with the Philippines Energy Plan. They can help with technology transfers and look at technology lists. The other programs can be leveraged if there is good synergy.
- BPI and DPB are interested in knowing more about the product offering and how to de-risk energy audits.
- Landbank mentioned that they finance direct borrowers from ESCOs depending upon their bankability. For market in the Philippines, guarantees could help. Landbank also has a subsidiary for insurance.
- Alexander mentioned to consider and promote PPP schemes to enable private capital to flow to banks for financing energy efficiency. This can reduce the burden on taxpayers' money. This has been tried in Malaysia abut it failed due to some reason, but this model may have a good potential for implementation in the Philippines.
- All the participants were in favor of designing and implementating a pilot testing the introduction of de-risking instruments in a specific energy efficiency market sector.

6. The workshop ended with the vote of thanks delivered by Ms. Lana Manaligod, DOE.

ANNEXURE – 1: WORKSHOP PHOTOGRAPHS.







