

Background Note

Final Consultation Workshop on Financial 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: ADB Headquarters, Manila

Tuesday 28 May 2024

Preamble

The continued economic growth in the Philippines is leading to higher energy demand across all sectors. In this context, energy efficiency, termed as the first fuel by the International Energy Agency (IEA), plays a pivotal role in reducing import dependency on fossil fuels and environmental pollution. The Philippines Energy Efficiency and Conservation Act sets the necessary regulatory framework to increase investment in energy efficiency in the country in line with the goals of the Paris Agreement and recent pledges at COP28 in December 2023. To meet growing market demand, the introduction of new generation of energy efficiency measures and financial de-risking instruments would be critical to meeting heightened cross-sector energy demand and accelerating the market transformation.

The Asian Development Bank (ADB) is administering a Technical Assistance (TA-9395) Program on "Support for the Implementation of the Asia-Pacific Climate Finance Fund" (ACliFF). ACliFF was established in April 2017 to provide financing and technical assistance to support the assessment, development, and provision of financial de-risking instruments that can help unlock financing for climate investments and improve resilience to the impacts of climate change.

The TA has supported the preparation of a concept brief and undertaking the gap analyses and market scoping studies in the Philippines to understand the supply, demand and market conditions for financial de-risking instruments that have not previously been supported by the market. The financial de-risking instruments can play a critical role in helping ADB's developing member countries (DMCs) meet their climate investment, adaptation, and resilience challenges. They are particularly important in addressing risks associated with climate investments in DMCs, which are often held back by real or perceived initial financial risks and transaction costs, and in helping to manage the increase in extreme weather risk associated with climate change. The availability of relevant financial de-risking instruments is increasing, but their use and deployment in DMCs remains low as a result of barriers such as high product development costs, data constraints, marketing and distribution channel limitations, uncertainty about market uptake, and low customer awareness and trust.

The Context

The de-risking instruments are important in addressing risks associated with climate investments, which are often held back by real or perceived financial risks and transaction costs. The gap analyses and market scoping studies were conducted in close coordination with the Philippines Department of Energy (DOE) and the Insurance Commission. The scope of the studies focused on approaches to energy efficiency financing, and their respective de-risking solutions, that can support the transition to low-carbon and climate resilient growth.

In this context, a half day stakeholder workshop was organized by ADB, DOE and the Insurance Commission on 5th December 2023 to present the concept brief and to kick-off the market scoping study on de-risking instruments for energy efficiency investments in the Philippines. The workshop focused on evaluating the market readiness through engaging with key stakeholders representing the public sector agencies, banks, development organizations, energy service companies, and other relevant agencies and experts working on energy efficiency.

Upon the completion of market scoping study, ADB, DOE and the Insurance Commission are organizing a final half-day consultation workshop to present the findings for capturing the views of stakeholders on the emerging structure of the de-risking instrument and to identify and evaluate the sectors that are most promising for investments in innovative energy efficiency technologies supported by the implementation of de-risking instrument. The scoping study helped in developing the understanding about supply, demand, and market conditions for financial de-risking instruments in the Philippines.

Consultation Workshop

The half-day consultation workshop would focus on discussing the outcomes of the scoping study and the emerging structure for the financial de-risking instruments. The stakeholders' views on the proposed de-risking instrument pilot, the sectors for implementation and the readiness of the market in the Philippines would be captured. Based on the stakeholder views, the proposed structure of the de-risking instrument could be modified to suit the market requirements. The key stakeholders attending the workshop include the representatives from insurance and re-insurance companies, development organizations, energy service companies, banks and financing institutions, local businesses, public sector agencies, relevant networks and organizations working on energy efficiency.

The objectives of the stakeholder workshop are to:

- Present the findings of the scoping study on de-risking instruments suitable for the energy efficiency market in the Philippines and the proposed sectors for implementation. The roles and responsibilities of various public and private sector organizations would also be discussed.
- Discuss the proposed or potential role of DOE, the Insurance Commission, international agencies, and other public and private sector stakeholders and how to integrate them in the overall structure of the suitable de-risking instrument.
- Present the utility of the financial de-risking instruments promoting energy efficiency financing and investments successfully applied in other developing countries.
- Capture the views of key stakeholders about perceived risks, barriers, regulatory, policy or technology issues, market behavior and other related subjects for the implementation of a pilot.
- Discuss 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.

Workshop Agenda

Time	Agenda
8.30 am	Registration
9.00 am	Welcome Remarks by Christine Engstrom, Senior Director, ADB Finance Sector Office, Sector Group, ADB
9.10 am	Remarks by Mr. Patrick T. Aquino, Director, CESO III, Energy Utilization Management Bureau, DOE
9.20 am	Context Setting by David Morgado, Senior Energy Specialist, ADB
9.30 am	Presentation by Sanjay Dube, International Institute for Energy Conservation (IIEC), ADB Consultant on Financial De-risking Instruments for Energy Efficiency
10.00 am	Coffee/Tea Break
10.15 am	Questions and Open discussion
11.15 am	Summarization of key take aways
11.30 am	Closing Remarks by Arup Chatterjee, Principal Finance Specialist, ADB

Key Participants

1. Energy Efficiency and Conservation Unit, Department of Energy (DOE)
2. The Insurance Commission of Philippines
3. Development Bank of the Philippines (DBP)
4. Bank of the Philippine Islands (BPI)
5. BANGKO SENTRAL NG PILIPINAS – Philippines Central Bank
6. Land Bank – A Government Financial Institution
7. International Finance Corporation (IFC) – Sustainable Energy Finance (SEF) Program.
8. The Philippine Energy Efficiency Alliance (PE²) – Not for profit working in EE sector, especially to promote ESCO business.
9. Local ESCOs
10. BDO Unibank Inc – The bank is working with IFC on green bonds.
11. Security Bank Corporation
12. Local Water Utilities Administration (Water Districts)
13. OSP-ESCO – Local ESCO working on energy conservation projects.
14. Energy Transition Partnership (ETP) – Derisking RE and EE investments is one of the focus areas.
15. Carbon Trust and UK Embassy – Low Carbon Transition Program.
16. Efficiency Valuation Organization – Monitoring and verification work in the Philippines
17. The Philippine Insurers and Reinsurers Association (PIRA)
18. National Reinsurance Corporation of the Philippines (Nat Re)
19. Munich RE
20. Insurance and Re-insurance companies in the Philippines
21. GIZ – Programs on EE
22. PHILGUARANTEE – The Philippines Guarantee Corporation
23. International Institute for Energy Conservation (IIEC)
24. Organization for Economic Cooperation and Development (OECD)
25. ACliFF Team, ADB