



**WORKSHOP ON
ENERGY EFFICIENCY**
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Financing energy efficiency and sustainable RAC

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Background

CONTEXT

Finance hurdle

Securing and deploying adequate finance is a key challenge for achieving low-carbon transformation aligned with Paris Agreement goals.

RAC Sector Complexity

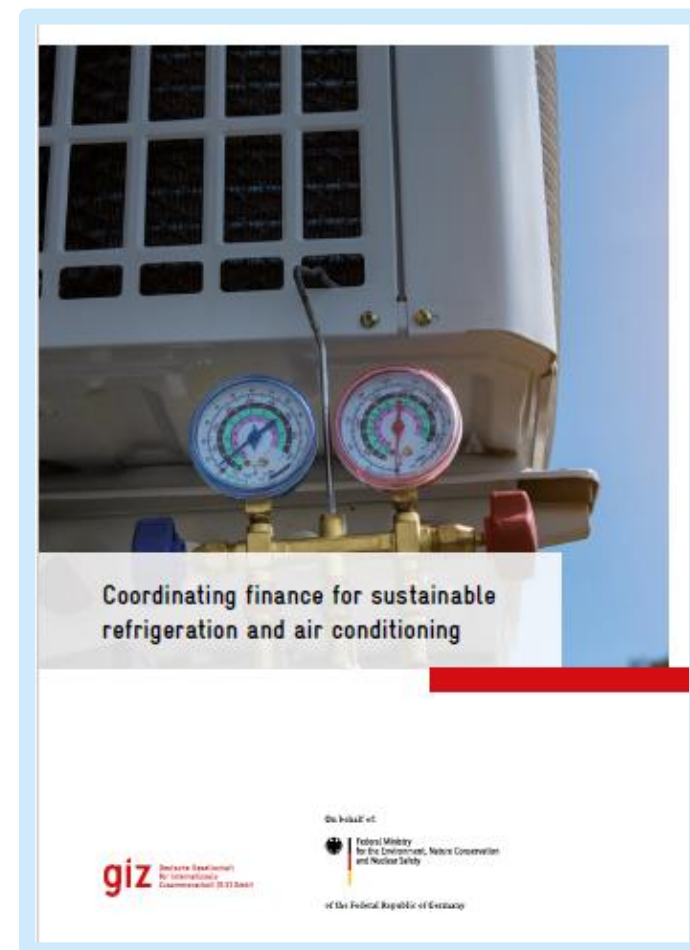
The RAC sector, spanning manufacturing to energy end-use, faces unique finance challenges due to its cross-sectoral nature and diverse institutional responsibilities.

PUBLICATION

The paper focusses on questions related to the financing of the low-carbon transition of the RAC sector.

The objective of the paper is

- to provide an overview of the (climate) **finance situation in the sector**
- to analyse the different **available sources of finance**, and
- to identify **roles of different actors**



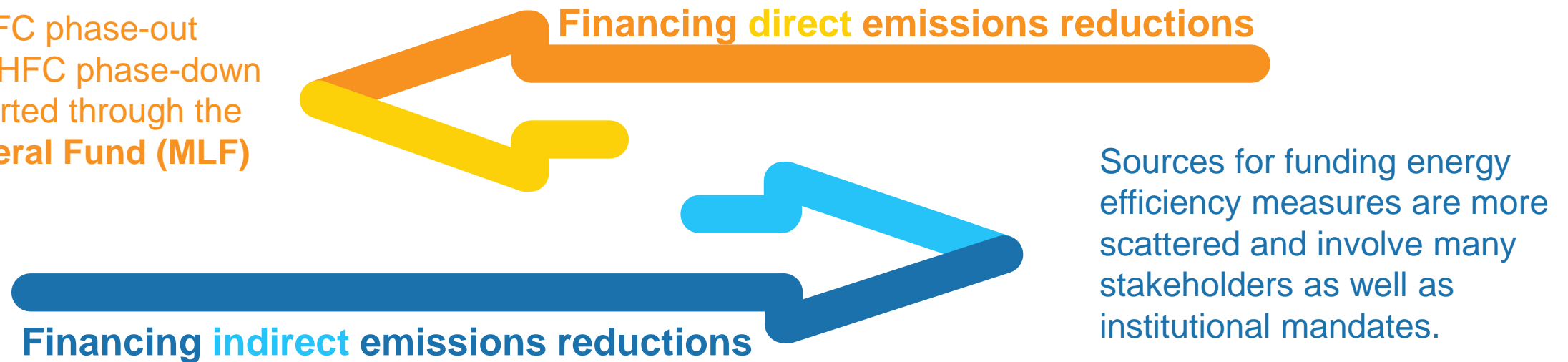
- *GIZ Proklima – Cool Contributions fighting Climate Change (C4) publication*
- *Authorship: HEAT GmbH and NewClimate Institute*

Financing low-carbon development in the RAC sector

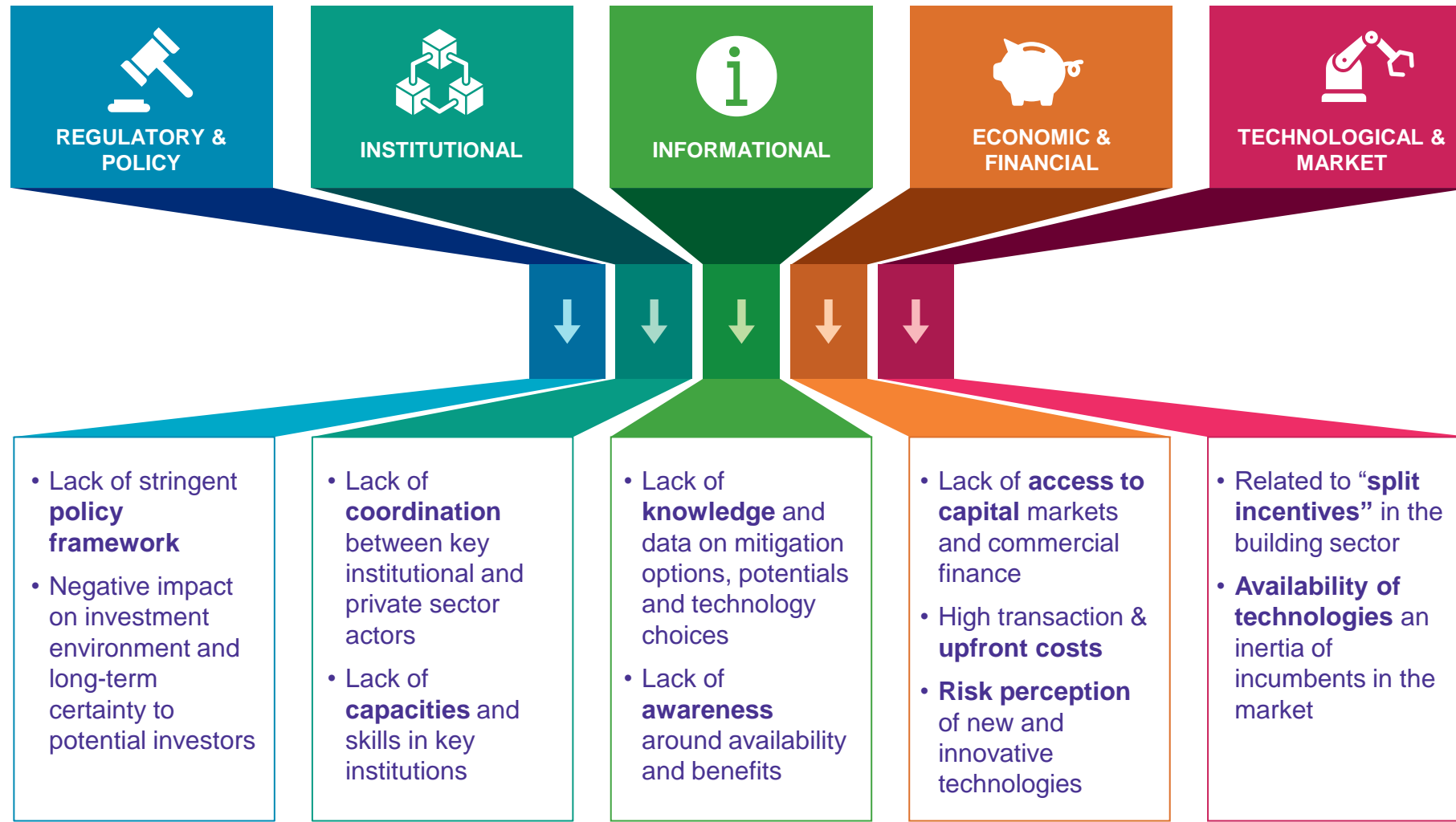
- Capital investments are needed to facilitate the development, manufacturing, distribution and deployment of low-carbon cooling technologies.
- This covers both the supply side as well as the demand side across a wide range of industries and end use areas.

Financing low-carbon development in the RAC sector must address two aspects

The HCFC phase-out and the HFC phase-down is supported through the **Multilateral Fund (MLF)**



Barriers to finance low-carbon development in the RAC sector



Integrated approach: Intervention measures

FINANCIAL INTERVENTIONS



- Bonus or penalty scheme
- Tax breaks / subsidy reforms



- Increased (public) budget to create institutional capacities



- Subsidies/loans/credit lines
- Guarantees/risk sharing
- Grant schemes
- PPP co investments



- Tax breaks and subsidy reform
- Subsidised loans/ dedicated credit lines

NON-FINANCIAL INTERVENTIONS

- Integrated policy planning
- Normative frameworks
- Monitoring and enforcement capacities

- Demonstration projects
- Capacity building
- Testing facilities for products

- Project bundling
- Improved RAC stats
- Sharing market information on prices and efficiency

- Training & qualification
- Market reform and R&D
- Conversion of manufacturers

Integrated approach: Actor landscape



NATIONAL GOVERNMENT

Central role: create an enabling environment to mobilise private sector investments

Areas for action:

- Optimising regulatory and policy framework
- Strengthening national institutions
- Facilitating dialogue between public and private sector actors
- Creation of financial incentives

→ With favourable policy environment and competent institutions, more private sector finance and int. support can be mobilised



INT PUBLIC SUPPORT

Central role: “Bridging the gap” / leveraging private sector capital

Areas for action:

- Provision of financial support through, e.g., guarantees, grants, concessional finance, etc.
- Provision of technical assistance and capacity building as well as support in awareness raising

→ With streamlined international supported national governments can be supported and private sector actors are encouraged to invest in climate-friendly RAC



PRIVATE SECTOR

Central role: Provision of lion’s share of required investments to reach market suitability

Areas for action:

- Scaling up and sustaining (public) climate and energy investments, in the supply & the demand sector
- Promote innovative finance mechanisms
- Co-financing large-scale energy infrastructure projects

→ Private sector engagement is relevant and appropriate since most EE investments are cost effective and present short payback periods

Unlocking private sector finance – selected examples

	Mechanism	Description	RAC sector use cases (e.g)	Benefits
Supply side	Blended finance ^{*(11)}	<i>Strategic use of public and private funds to mobilise additional capital, combining concessional financing with commercial investment.</i>	Financing of production conversion	<ul style="list-style-type: none"> • Incentives for production conversion through preferential conditions • Compliance with international standards by imposition of compliance requirements
Demand side	ESCO ^{*(10)}	<i>Third-party company providing and financing energy-efficient solutions to clients, with the ESCO receiving a share of the resulting cost savings.</i>	Replacing inefficient RAC equipment in larger existing buildings / commercial setting (mostly B-2-B)	<ul style="list-style-type: none"> • Unlock demand in untapped sectors • Lowering upfront cost hurdle for EE investment • Lowering prices and thus increasing cash sales
	Leasing / credit financing ^{*(8)}	<i>Financial products that enable customers to purchase and install state-of-the-art technology by means of instalment payments.</i>	Enabling end-users to acquire energy efficient and climate-friendly RAC technology	<ul style="list-style-type: none"> • Similar to above – but among different target audience
Support measures	Green Public Procurement ^{*(11)}	<i>The acquisition of goods and services by the public sector through public contract with focus on environmental criteria.</i>	Increase the share of energy efficient and climate friendly RAC technology in public buildings	<ul style="list-style-type: none"> • Set examples to private consumers • Raise awareness • Set standards (GWP / EE) • Drive prices down
	ESG Standards	<i>Investors and stakeholders use ESG standards to assess sustainable practices of a business, influencing investment decisions and promoting responsible corporate behaviour.</i>	Accelerate the transformation in the RAC sector, when large, internationally active banks adopt GWP / EE standards	<ul style="list-style-type: none"> • Similar to above – but potentially with an international dimension

Key messages / Conclusions

1



LOCAL CONTEXT A comprehensive finance strategy should be based on careful analysis of local barriers, needs and costs, to identify appropriate instruments to enable mitigation action in the RAC sector.

2



GRANULARITY A RAC sector finance strategy on country level should outline a clear breakdown of action, impact and contributions to be made by national budgets, international support and the private sector.

3



PRIVATE SECTOR Private sector engagement is key for long-term, low-carbon development in all sectors, including the RAC sector.

4



SUSTAINABLE DEVELOPMENT The inclusion of development issues in RAC sector financing is an incentive for national stakeholder engagement and produces multiple benefits.

5



COORDINATION Enhanced coordination of finance flows under the ozone and the climate regime, can increase effectiveness of international mitigation efforts in the RAC sector.

Contact

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THANK YOU FOR YOUR ATTENTION

Back-up slide – Rational for financing Green Cooling

