



## CASE STUDY 41: THAILAND – SUSTAINABLE ENERGY FINANCE PROGRAM

<b>Barriers</b>	Lack of long term financing; financiers’ high risk perception; lack of track record
<b>Instrument</b>	Portfolio Guarantee
<b>Application</b>	Guarantee covering part of the potential losses of a energy efficiency/ renewable energy portfolio
<b>Amount</b>	US\$70 million equivalent (of which a portion covered by the guarantee)

### PROJECT BACKGROUND AND OBJECTIVES

Main barriers preventing the uptake of sustainable energy lending in Thailand are (i) the high risk perception by local financial intermediaries (FIs) towards this asset class, due to the lack of track record with sustainable energy lease financing with Thai local companies; and (ii) lack of adequate long term financing to support SE because the financing provided by local FIs is limited in tenor despite the liquidity in Thailand’s financial markets.

In order to increase funding for energy efficiency, small-scale renewable energy, and ESCO lease projects in Thailand, IFC provided a portfolio risk sharing facility to a leasing company, covering a portion of the potential losses from loans to eligible projects. By sharing credit risk in a sustainable energy lease portfolio, the project will encourage the partner FI to provide long-term lease financing, and will eventually reduce the perceived risks with this asset class.

Furthermore, while most energy end-users are still unaware of the economic benefits of introducing new EE/RE technologies, the leasing company will seek to address this lack of awareness by estimating lessees’ energy efficiency potential and provide sustainable

energy solutions by collaborating with major equipment suppliers.

The project is part of the Clean Technology Fund (CTF) Thailand Sustainable Energy Finance Program.

### INSTRUMENTS USED

The financial mechanism used in this project is an unfunded portfolio risk sharing facility (denominated in local currency). Under this mechanism, IFC pledges to cover a percentage of the losses that may arise on an up to US\$70 million portfolio of sustainable energy leases originated by the partner FI. Funds from the CTF are used to provide first loss coverage.

### INSTITUTIONAL ARRANGEMENTS

Under this project, IFC agrees to guarantee sustainable energy leases originated by a leasing company. The portfolio is expected to target mostly energy efficiency projects (including ESCO business), but it may also include small-scale renewable energy projects.

### OUTCOMES

The project will support the financing of \$70 million of sustainable energy projects, and contribute to increasing efficiency in industry and reduce operating costs.

### Further reading

IFC, MUL EE Thailand: Summary of Proposed Investment – click [here](#)

Climate Investment Funds, Thailand Sustainable Energy Finance Program (T-SEF) – click [here](#)