

Cooperation with other energy efficiency initiatives in Hungary

Being a market transformation effort, ELI does not provide investment funds or price subsidies. It assists market players to improve their capacities and develop a pipeline of upgrading projects.

Investment funds are expected to come from the market players themselves. Some of the well-capitalized project owners will not need external financing: they will rely on their own development funds. Others will take loans directly from commercial banks.

It is supposed that a large number of project owners will cooperate with ESCOs, and expect that the ESCOs arrange financing. ESCOs will get the necessary money from commercial banks.

To be eligible for a loan the ESCOs will have to meet a number of creditworthiness criteria. The most difficult will be, probably, the provision of guarantees. This is where cooperation with HEECP, IFC's Hungary Energy Efficiency Cofinancing Program will help.

HEECP is a GEF-funded IFC program. Phase one of the program (HEECP 1) was successfully concluded at the end of the last year. HEECP 2 started in early 2002.

Similarly to Phase one of the program, HEECP 2 provides guarantees for private companies which work on the implementation of energy efficiency projects. The logical target groups of the program are the ESCOs and industrial companies.

IFC works with a number of commercial banks in the scope of HEECP 2, on a neutral basis. The banks negotiate loan terms with the borrowers. IFC evaluates the loan applications and makes bank guarantees available for projects which meet criteria set by GEF.

The commercial banks working on the Hungarian market are encouraged to develop financing products for indoor lighting upgrades. IFC is assisting them by providing advice.

The products of the individual banks are introduced both for ESCOs and the end-users.

In addition to HEECP, ELI-Hungary cooperates with another GEF initiative in Hungary, the so called UNDP Municipal Energy Efficiency Program. The cooperation includes exchange of information, and making available ELI documents/materials. It is expected that energy audits supported by the UNDP program will generate business opportunities for the ELI-ESCOs.