

EXPERIENCE IN IMPLEMENTING EE PROJECTS AT TECHCOMBANK

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I. Techcombank 's experiences in Cleaner Production and Energy Efficiency

Vietnam Technological & Commercial Joint Stock Bank(Techcombank):

- One of the leading joint stock banks in Vietnam.
- HSBC, one of the main shareholder, owning almost 20% stake at Techcombank
- Total asset: approximate \$10 billion
- Rating by Moody's: B2
- Distribution network: 313 branches nationwide.
- Since 2004, Techcombank has been participating in the number of EE, cleaner production and green credit initiatives promoted by Vietnamese government and many different development financial institutions

I. Techcombank 's experiences in Cleaner Production and Energy Efficiency (Cont')

1, The Commercial Energy Efficiency Pilot Program– CEEP – WB (2004-2009)

- The CEEP carried out by WB under the sponsorship from GEF (Global Environment Facility). This program provided financial grants to enterprises investing in the eligible EE project (from 15% to 30% of total investment amount).
- Techcombank had participated in this project as program management service provider, responsible for financial & technical appraisal.
- Number of projects benefited from this program: 171 projects

2. Green Credit Trust Fund – SECO (State secretariat for Economic Affairs of the Swiss Government) (from 2007)

- This program has been supported by Swiss Government for SMEs investing into new technology for more friendly environment and cleaner production replacing old machinery/ equipment, ensuring sustainable production in forms of (i) Credit guarantee (up to 50% of loan amount); and (ii) financial grant (grants up to 25% of project investment amount).
- Techcombank has participated this project as financial service provider for investors of EE projects.
- Achieved result: 11 clients of Techcombank have gotten guarantee as well as other supports from this project.

I. Techcombank 's experiences in Cleaner Production and Energy Efficiency (Cont')

3. EE and Cleaner production Loan – IFC (2010-2015)

- Total EE portfolio of \$50 million. Financed by IFC (\$24 million); GEF (Global Environment Facility) (\$1 million) and Techcombank (\$25 million)
- The purpose of the IFC Loan is to provide funding to Techcombank for on-lending to energy efficiency or cleaner production projects.
- In this program, Techcombank had build up an EE portfolio up to \$47 million. For this achievement, Techcombank had obtained a performance bonus of approximate \$800,000

4. The Renewable Energy Development Project (REDP) (from 2012)

- REDP had been sponsored by World Bank. The purpose of the project is to support renewable energy production project, with capacity of less than 30 MW in form of wind, solar, hydropower, biomass , and biogas.
- Financing tenor: 20 years with 7-year grace period.
- Techcombank has difficulties in building up project pipelines for this program (due to Techcombank 's restricted risk appetite in hydropower plants and unavailability of eligible projects in others form of renewable energy)

I. Techcombank 's experiences in Cleaner Production and Energy Efficiency (Cont')

5. Low Carbon Transition In Energy Efficiency Sector program – Green Investment Facility (GIF), sponsored by Denmark government (from 2015 - 2017)

- Purpose of the program is to support energy efficiency initiative in 3 sectors (bricks, ceramics and food processing), in form of:
 - USD 4 million Guarantee Facility: to provide eligible projects with bank guarantee covering 50% of bank loan amount;
 - USD 2 million Energy Savings Award: financial grant in form of partial repayment up to 25% of the loan amount
- Program duration: July 2014 - June 2017

6. In addition to the projects mentioned above, currently, Techcombank is working with numbers of domestic and foreign institutions in order to support EE and cleaner production initiatives in Vietnam.

II. Difficulties in building up EE and Cleaner Production projects pipeline

- Early this year, SBV has issued Directive No. 03/CT-NHNN dated 24/03/2016 on promoting green credit growth and E&S risk management in credit activities. However, there is no detailed guidelines and instructions/requirements to promote EE and green credit lending.
- Not enough public awareness in investment in new and clean technology machinery/equipment for EE and clean production purpose;
- For the enterprises:
 - Conflict between environmental and economic interests when enterprises make decision for their capex
 - Difficulties in seeking MLT financing for their capex.
- For lending banks:
 - Credit appetite (E&S risk, financial risk, performance risk).
 - Restriction in medium and long term lending.
 - Scarce MLT funding source
 - FX risk if borrowing funding from Development Foreign Institutions in foreign currency.

III. Recommendations

- **Stronger support from government:**
 - Policy/Legal framework in EE and cleaner production (specific requirements and legal enforcement in terms of energy utilization level, carbon emission reduction for enterprises operating in certain specific industries...)
 - Promoting public awareness for EE and cleaner production
 - Financial support:
 - preferential MLT funding sources
 - tax incentives
 - renewable energy buying pricing
- **Support from development financial institutions and donors:**
 - Risk sharing with lending banks
 - Preferential MLT funding
 - Technical assistance

thank
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you!