

# Vietnam Energy Efficiency and Cleaner Production Financing

IN PARTNERSHIP WITH



The Vietnam Energy Efficiency and Cleaner Production (EECP) Financing Program aims to reduce greenhouse gas emissions and improve resource utilization by increasing available financing for cleaner production and energy efficiency investments. The project



*IFC and Techcombank signed an agreement on Energy Efficiency Financing and Advisory Services, May 2010*

works with selected commercial banks to build market strategies and tailored financing products, and targets enterprises looking to upgrade their production systems and technologies to achieve greater energy efficiency, cost savings, productivity, and environmental performance.

The project also seeks to establish and expand a network of technical service providers to deliver EECP training and services to banks and enterprises nationwide. All project activities are supported through awareness raising efforts that help businesses recognize and understand the economic and environmental benefits of investing in energy efficiency and cleaner production.

## The Business Case of EECP for Enterprises

Rising energy costs lead to higher production and distribution costs for businesses that erode their long-term competitiveness and profitability. Cutting energy waste can be a quick way to reducing costs. However, enterprises often lack the knowledge, financing, and dedicated personnel needed to identify and implement efficiency measures. Local financial institutions can therefore play a significant role by helping enterprises finance projects through investments that often pay for themselves and even offer returns over a relatively short period of time. Projects generally focus on equipment/technology replacement and opportunities to modernize and improve production processes, energy generation, and energy use in industries and commercial buildings. Typical project priorities include one or more of the following:

- **Generic energy equipments (lighting, HVAC, pumps, motors, boilers, compressors, etc.)**
- **Industry-specific process equipments and technologies**
- **Co-generation or tri-generation systems**
- **Waste minimization and renewable applications**

IFC's support to enterprises comes through an analysis of the modernization/upgrading/expansion, projects under consideration, identification of energy saving opportunities, and the sharing of information on the network of technical service partners that can deliver energy saving equipment, systems, and training services.

## The Business Case of EECP for Financial Institutions

Increasing energy supply constraints, rising energy costs, a new Energy Conservation Law, and stricter environmental regulations all point towards a rapidly expanding EECP financing market in Vietnam. Participating banks and financial institutions will have the opportunity to position their products towards developing long-term partnerships with clients and will likely benefit from 'first mover' advantages in the market and reputational benefits from policy makers. At the same time, by incorporating energy efficiency products into SME lending practices, banks and financial institutions can help improve client competitiveness and profitability, which can lead to new clients and expanded market reach.

Enterprises that efficiently manage energy and input resources are more likely to thrive over the long term by keeping production costs competitive while improving profitability through enhanced productivity, quality, and environmental performance. Cash flows generated from energy savings may increase client credit quality and enable enterprises to access new debt to finance further growth. By introducing medium and long term tailored energy efficiency loans, banks can match their products to client cash flows, thereby enabling the investment to pay for itself over time.

IFC provides its financial institution clients with assistance in developing EECP expertise through trainings and advisory services on transactions. These trainings aim to mitigate the sector's risk perceptions of EECP projects by building in-house capacities to evaluate projects and investments. This support to financial institutions includes identifying market opportunities, developing partnerships with energy auditors and vendors, project risk evaluations, risk evaluations, and cash flow projections from energy savings.



### Techcombank

Techcombank, the first bank to launch EECP lending in Vietnam, aims to build a portfolio of US\$ 50m in EECP lending over a two year period. In addition to US\$ 25m loan to be on-lent to EECP projects, IFC is providing advisory services in the form of technical expertise and training to build bank capacity in managing EECP credit and technical risk.

### The Energy Conservation Center (ECC)

IFC is partnering with the Ho Chi Minh City-based Energy Conservation Center (ECC) to provide energy efficiency training to enterprise energy managers and technicians. IFC supports ECC in developing/standardization energy efficiency training products and in training designated trainers.

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in developing countries. We create opportunity for people to escape poverty and improve their lives. We do so by providing financing to help businesses employ more people and supply essential services, by mobilizing capital from others, and by delivering advisory services to ensure sustainable development. In a time of global economic uncertainty, our new investments climbed to a record \$18 billion in fiscal 2010.

These investments support the buildup of small and medium sized enterprises, the acceleration of private participation in infrastructure, improvements in the investment climate, increased access to finance, and strengthened environmental and social sustainability.

In Vietnam, our advisory services are delivered in partnership with Finland, Ireland, the Netherlands, New Zealand, and Switzerland.

## Contacts

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