01
26
Issue:13

# SHURA AGENDA

## Integrated Energy Management Financing

As usual, the new year began with "Energy Efficiency Week" events organized by public institutions and professional organizations. Energy efficiency is no longer addressed as a stand-alone issue and is increasingly considered together with decarbonisation. Conventional, single themed projects such as lighting, insulation or electric motor upgrades are replaced by an energy management approach based on detailed energy audits for each consumption unit encompassing decarbonisation, efficiency and behavioural change. Mainstreaming this approach, which we refer to as Integrated Energy Management, requires that financing structures adapt and transform accordingly.

SHURA's policy brief published in 2022 entitled "*Integrated Energy Management Financing Approach: Proposals for End-User-Oriented Financing Solution*" defines this concept and offers recommendations to support its wider adoption.

### *What is Integrated Energy Management Financing?*

Integrated Energy Management (IEM) financing is a financing approach in which different investments aimed at reducing energy intensity and supporting decarbonisation are financed together, covering energy transition-related projects in various combinations. Industry, services and commerce, public institutions and local governments, as well as households, are placed at the center of energy management. This approach aims to finance investments in an integrated manner by identifying needs and priorities for the most efficient and clean use of energy for each consumer group and consumption unit.

## *Which areas are covered by IEM financing?*

- Electricity generation from distributed renewable energy sources,
- Energy efficiency investments,
- Technology development, R&D activities and investments related to energy storage, green hydrogen and other new technologies,
- Digitalisation of generation, distribution and end-use (smart grids, smart meters, systems for electric vehicle charging infrastructure, etc.),
- Electric vehicle ecosystem (e-mobility),
- Manufacturing of renewable energy equipment,
- Manufacturing of equipment such as electrified technologies to improve energy efficiency, particularly in transport and heating.

## *Key advantages of the IEM financing approach*

- By structuring different projects for consumer groups as a single investment package, it becomes possible to realise savings-based benefits, create new revenue-generating activities, and balance projects with longer payback periods with those having shorter payback periods.
- Defining energy management project packages as a thematic investment area can facilitate access to international finance through medium and long-term loans, equity participation by institutional investors and financial institutions, and sustainable bond issuances by large consumers.
- The integrated energy management concept can create opportunities to develop innovative financing mechanisms tailored to different consumer groups.
- A holistic assessment of investment and financing needs enables the most efficient use of limited resources.

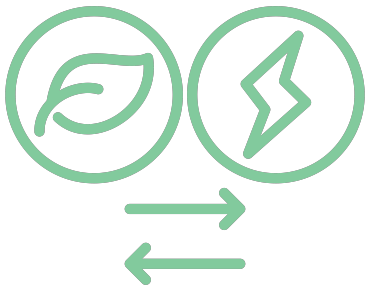
Accordingly, including IEM financing as a core approach in key strategic documents, particularly the Long-Term Energy Transition Strategy and the Green Finance Strategy, would accelerate its widespread adoption. In this context, providing technical support and ensuring institutional capacity building tailored to the needs of both financial institutions and consumer groups are essential for implementation. It would also be beneficial to develop public programmes to ensure that energy management consultants align with this approach and can provide specialised services tailored to specific consumer groups.

| *Financing Solutions* | |
|---|---|
| **Energy Companies** | **Medium-to Long-Term Loans:** International and local financial institutions<br>**Green/Sustainable Bonds:** International institutional investors<br>**Refinancing: International institutional investors, venture capital funds, etc.**<br>**PPAs:** Industrial and commercial enterprises<br>**Equity Participation:** Electric vehicle manufacturers/distributors, fuel companies, electricity distribution companies, heating/cooling solution providers |
| **Industry and Commerce** | **Energy Management Financing Package:** International and local financial institutions (may be blended finance)<br>**Medium-to Long-Term Loans:** International and local financial institutions<br>**Project Finance:** International and local financial institutions<br>**Green/Sustainable Bonds:** International institutional investors, venture capital funds, etc. |
| **Local Governments** | **Medium- to Long-Term Loans:** International and local financial institutions; **financing packages for self-consumption including transport electrification**<br>**Medium- to Long-Term Loans:** International and local financial institutions; **financing of projects aimed at reducing energy poverty, including affordable electricity supply for households** |
| **Households** | **Long-term consumer financing packages:** International and local financial institutions, public institutions; **affordable financing aligned with repayment periods**<br>**Support packages: International and local financial institutions, public institutions; support for investments beyond mandatory requirements in new buildings, support for green energy supply agreements in site- or district-scale investments, and support for electrification of heating and transport** |

## *Facilitating regulatory recommendations*

In addition to planning, training and technical support activities, incentive and obligation mechanisms will play an important role in increasing investment interest and promoting the uptake of IEM financing. Possible facilitating regulations include:

- Banking and Insurance Transactions Tax (BITT) exemptions, interest and tax reductions,
- Technical consultancy support mechanisms,
- Sectoral analysis support (sector-specific packages),
- Special Consumption Tax (SCT) reductions for alternative fuels in logistics and transport, and additional support derived from fossil fuel taxes to promote electrification,
- Returning part of the social benefit generated by heating and transport electrification in industry and commercial enterprises as incentives,
- Energy efficiency obligations in industry and buildings,
- Strengthening obligations for high energy performance and renewable energy applications in new buildings; obligations and incentives to support efficiency retrofits in existing buildings.



SHURA
ENERGY TRANSITION CENTER