

China-U.S. Energy Efficiency Steering Committee Meeting
Energy Efficiency Finance Team Report
June 25, 1999

Achievements Since the May 1997 Steering Committee Meeting

- Progress was made in securing funding to conduct business plan training and project development to promote energy-efficiency investment in China. The W. Alton Jones Foundation and the US Environmental Protection Agency have agreed to provide support for this program. The team is also seeking private sector support. The US Department of Energy provided initial funding to develop this activity.
- Progress has been made in financing energy efficiency projects through energy service companies (ESCOs) as several ESCOs now operate in China on a commercial basis.

Issues and Opportunities

- Financial turmoil slowed progress in obtaining finance for energy-efficiency projects. Consequently, problems identified at the first Steering committee meeting remain priorities now. These include: improving transparency in deal-making in China, particularly regarding who can approve transactions and who can guarantee repayment of financing; developing capacity in enterprises to prepare bankable business plans; and making US-sponsored finance more competitive in the Chinese market.
- An energy-efficiency finance facility proposed by the US Export-Import Bank (Ex-Im) remains controversial because it is not clear whether it differs from existing Ex-Im resources or whether Chinese borrowers can access funds on terms competitive with domestic or other international sources. Nonetheless, some companies remain hopeful that this exercise will lead to increased political support for efficiency projects.
- The team considers the development of fundraising mechanisms in china to be a top priority, including venture capital for energy efficiency investment.
- Another key issue pertains to obstacles to the development of energy service companies. These include ambiguous legal structures; inability of US firms to participate directly; lack of understanding of performance contracting; and the resource requirements to close deals.

Next Steps

- Business plan training: Initial work will include preparation of 1-3 business plans for energy efficiency investment. This effort will be coordinated with CECIC for developing project finance.
- Energy Service company development: We agreed to prepare a white paper on policy reform to encourage development of Energy Service Companies.
- Resources for feasibility studies: The team will make a top priority effort to persuade enable TDA to work in China.
- Ex-Im facility: We will continue to monitor and review Ex-Im's progress in creating its proposed facility.
- Venture capital: The team will explore opportunities for cooperation with agencies and stock companies to set up venture capital funds.
- The team wants to emphasize that finance is essential for implementing energy-efficiency projects. Without adequate financial support, no policy can be enforced. Finance is an important area and it is our hope to obtain more attention and support from both the US and Chinese governments and from international financial organizations.

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