MITIGATION
BLENDED

Project Name	**Turkish Sustainable Energy Financing Facility (TurSEFF) and Commercializing Sustainable Energy Finance Project (CSEF)[1]**
Country/Region	Turkey
Sector	Energy
Project/Investment Amount	• **TurSEFF**: CIF Contribution: $49 million USD; Co-financing $298 million USD • **CSEF:** CIF Contribution: $21 million USD; Co-financing $102 million USD
Development Partner(s)/Stakeholders	Climate Investment Funds (CIF)
Beneficiary Ministry/ Institution	Turkish Ministry of Energy and Natural Resources
Investor(s) and Funders	TurSEFF: Climate Investment Funds (CIF), European Union, EBRD CSEF: Climate Investment Funds (CIF) - Clean Technology Fund (CTF), IFC
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTOR	Bilateral, Multilateral & Development Finance Institutions
Project Overall Goal	The goal of the projects is to address energy efficiency for the commercial, residential, and municipal sectors with a particular focus on the SME sector and smaller scale energy efficiency projects.
Project Outcomes	Key outcomes as a result of these projects include: • A wider range of financial instruments is now available through national financial institutions to support climate-related investments made by the private sector • The success of the CSEF leasing model has provided a template to catalyze EE lending for commercial and industrial customers
Alignment with Country Identified Climate Strategies, NDCs, etc. (if applicable)	CIF investments were developed in partnership with the Government of Turkey to address their needs through the Country Investment Plan (IP) endorsed in 2009. The IP focused on renewable energy development and energy efficiency improvements.
Contribution of the Project to the UN SDGs	SDG 7: Affordable and Clean Energy SDG 13: Climate Action
Socioeconomic Impact	TurSEFF: aggregate primary energy savings of 75,000 tonnes of oil equivalent, amounting to EUR 25 million oil import savings. As of August 2021, the total annual energy savings delivered by TurSEFF, which have continued to grow since the original CTF support, are equivalent to the electricity consumed by almost a million households in Turkey every year. CSEF: Partner leasing companies received $75 million to develop investment programs for small-scale renewable energy and energy efficiency, expanding access to renewable energy in the country
Environmental Impact (on climate mitigation and/or adaptation)	As of August 2021, the total annual energy savings delivered by TurSEFF, which have continued to grow since the original Clean Technology Fund (CTF) support, are equivalent to the electricity consumed by almost a million households in Turkey every year.

[1] This case was provided by the Climate Investment Funds (CIF) as a contribution to the Sharm El-Sheikh Guidebook for Just Financing

	In aggregate, CSEF is expected to directly mitigate over 200,000 metric tons of CO_2e a year, equivalent to the emissions from over 98,000 metric tons of burned coal or over 86 million liters of consumed gasoline.
Enabling Environment (Supporting Policies)	The Energy Efficiency Law of 2007, which set out mandates for energy management in key industries and built momentum for supporting services and voluntary agreements, was crucial for both projects. Turkish Government buy-in and prioritization of renewable energy and energy efficiency at a high level was crucial to enable both projects.
Technical Assistance (If Provided)	TA was used to increase awareness within national banks about the profitability of the EE/RE sector. Three leasing firms in the CSEF project also received advisory services and technical assistance that built their capacity to identify investments and markets for potential SME clients, as well as helped them identify opportunities before purchasing the required technology. The goal of these were to equip the leasing firms with the tools required to scale EE financing portfolios on their own over the long-run. For TurSEFF CTF funds as well as some EU funds were used to finance a comprehensive technical assistance programme. To help address specific market barriers to energy related investments this programme provided support to partner banks and sub-borrowers in the promoting the program and create a recognisable financial brand, and to build capacity at local partner banks as well as businesses. Trainings to partner banks aimed to enable bank staff to identify, evaluate, and process sustainable energy projects, develop, and implement lending procedures and policies, and monitor their evolving portfolios effectively.
Financing model/approach (ex: Blended finance)	Efforts from EBRD, the International Bank for Reconstruction and Development (IBRD) and IFC, implementing financial facilities created a critical mass in the EE lending market. Through the TurSEFF financing facility, CTF-EBRD funding provided credit lines to five commercial banks, for on-lending to small and medium-sized enterprises (SMEs) to finance energy efficiency and renewable energy projects. The TurSEFF model combined concessional funding from CTF, with non-concessional commercial funding from the EBRD to create more attractive pricing and longer maturities for local partner banks. While EBRD loans had a maturity of five years, including a two-year grace period, CTF funds were offered with a maturity of 15 years and a grace period of seven years. These terms were compatible with the typical payback timescale of energy efficiency and renewable energy projects. Partner banks also recycled repayments of earlier loans into new lending, demonstrating the volume of demand and their commitment to lending in this new market. For the CSEF project, CTF finance was blended with IFC funding to provide credit lines to three leasing firms with varying levels of EE exposure. The leasing company would then market EE financing to its current and prospective customers, predominantly SMEs. Once a customer decided to acquire EE equipment, the leasing company would purchase the equipment using CSEF funds and provide the equipment through a lease to the customer. EE leasing was almost non-existent in Turkey at the time. CTF funds were mostly used for investments that replaced old equipment with new, more energy-efficient models.
Rationale for financing model/approach	An intermediated approach working through national financial intermediaries, allowed CIF's Clean Technology Fund (CTF) to leverage existing networks and client base. The TurSEFF program adopted a flexible approach by keeping the eligibility criteria of projects wide and being technology agnostic, focusing on energy and GHG savings performances. This allowed clients more freedom to expand into new markets. Loans were characterized by longer loan repayment periods and lower interest rates than would have been possible with EBRD's commercial financing alone. In addition, the technical assistance programme was critical in addressing market barriers including, for instance, a low awareness in the private sector of the benefits of sustainable energy projects and insufficient capacity and experience among local banks in evaluating sustainable energy projects. CSEF was the first global CTF-funded EE program to support the leasing of energy-efficient equipment (to potential SME clients). This funding model was identified as having strong potential

	in sectors made up of businesses with small balance sheets, limited collateral, or a poor credit history that prevented them from readily accessing debt finance.
Financial instrument(s) (loans (commercial/ concessional), equity, guarantee)	Concessional Finance

Diagram of the financing structure

FIGURE 1: STRUCTURE OF TURSEFF

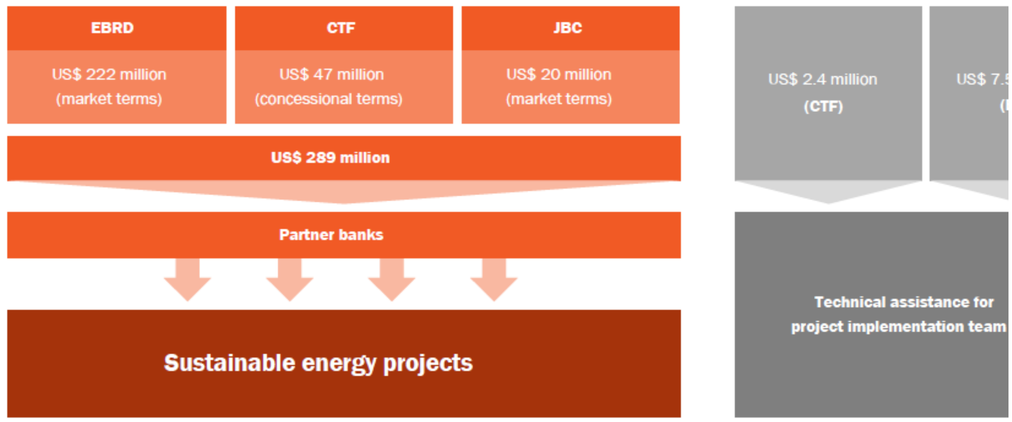
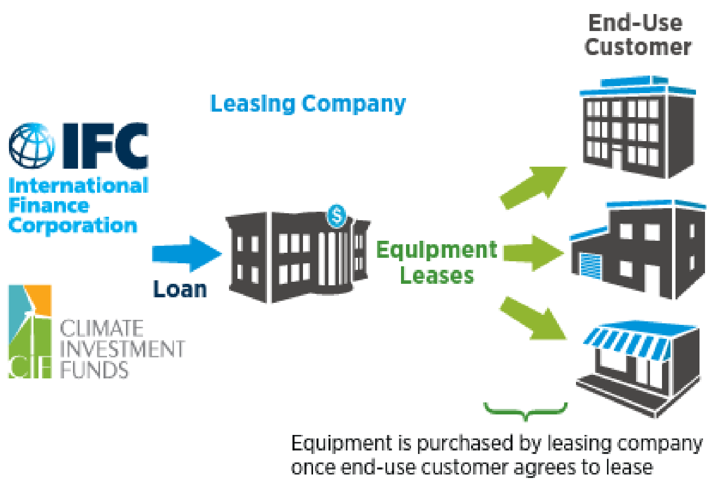


FIGURE 2: Energy Efficiency Leasing Model under CSEF



Executive Summary

Turkey's growing economy, which tripled in size between 2001 and 2010, increased demand for energy. With Turkey's domestic energy production supplying less than 30 percent of its total consumption, national policy attention turned to scaling up the deployment of renewable energy (RE) and developing the energy efficiency (EE) market in order to strengthen energy security while also improving the country's economic competitiveness through energy savings.

In response, The Government of Turkey focused their Investment Plan for the CIF's Clean Technology Fund (CTF) on renewable energy development and energy efficiency, CTF adopted an intermediated approach in two major EE initiatives (TurSEFF & CSEF) directed at small and medium-sized enterprises (SMEs), a segment of the market with strong demand for financing of energy efficiency initiatives.

CTF's investments in Turkey used concessional finance to lower the perceived risks of investing in EE/RE projects and technical assistance to increase awareness within national banks about the profitability of the EE/RE sector. The impact of TurSEFF and CSEF in the Turkish lending market for sustainable energy shows the power of combining Multilateral Development Bank finance, climate finance for the private sector, and technical assistance in line with government objectives. A wider range of financial instruments is now available through national financial institutions to support climate-related investments made by the private sector. Government policies are also ensuring a resilient future for such investments, with two major milestones being the 2015 National Renewable Energy Action Plan (NREAP) and the 2018 National Energy Efficiency Action Plan (NEEAP).

In aggregate, CSEF is expected to directly mitigate over 200,000 metric tons of CO2e a year, equivalent to the emissions from over 98,000 metric tons of burned coal or over 86 million liters of consumed gasoline. IFC provided a US$96 million EE/RE loan to Yapi Kredi Leasing in 2014, one of the three leading firms on fully commercial terms, and is the largest loan provided by IFC to the leasing sector globally. Similarly, the TurSEFF business model has spawned further, more specialized versions of itself: the third iteration of TurSEFF was created without concessional finance, the TuREEFF facility targets the residential sector, and the Mid-size Sustainable Energy Financing Facility (MidSEFF) focuses on bigger investments, of between €5 and €50 million.

Analysis

What made this project successful?	Working through critical change pathways to increase access to funding, use intermediated financing approaches, build capacity in the local banking sector, influence SMEs given their contribution to overall economic activity, and using MDBs to mobilize large funding flows and expertise, provided a coherent model to support the energy transformation efforts.
To what extent is this model scalable?	TurSEFF Phase 1 marked the entry of the EBRD into Turkey's sustainable energy market, laying the foundations for a series of extending and expanding sustainable energy finance operations. Both the TurSEFF and CSEF project partners attracted follow-on credit lines from participating banks and leasing companies on fully commercial terms that enabled an expansion of EE investments, demonstrating that the sustainable energy lending market had matured sufficiently to sustain the cost of market-based finance.
What are the necessary conditions to make it replicable in other countries/regions?	The success of the CSEF leasing model has provided a template to catalyze EE lending for commercial and industrial customers. This model was subsequently transferred to other developing countries' markets, with IFC taking these lessons to other country programs, including those in Pakistan and Lebanon.
Constraints/Drawbacks of Financing Model	The supportive policy environment was key to the success of this project, making it harder to implement in countries with nascent policy environments for climate and renewable or efficient energy.
Lessons Learnt	● Technical assistance to financial intermediaries in working on renewable energy and energy efficiency projects was instrumental to building the necessary capacity and expertise to drive change in the market. ● In the case of TurSEFF, giving the facility a broad mandate was effective to develop an immature market. It also enabled TurSEFF to act as a test run, identifying sectors which needed little help and others that required more assistance. ● Partners experienced in delivering the financial instruments involved in the interventions were crucial to the success of both projects. ● The supportive policy environment was critical to drumming up end-user interest and demand for the program and allowing CIF to work with the government to further advance relevant policy.