De-risking Facility for Energy Performance Contracting in Mauritius

17 October 2023

Mauritius – General Information

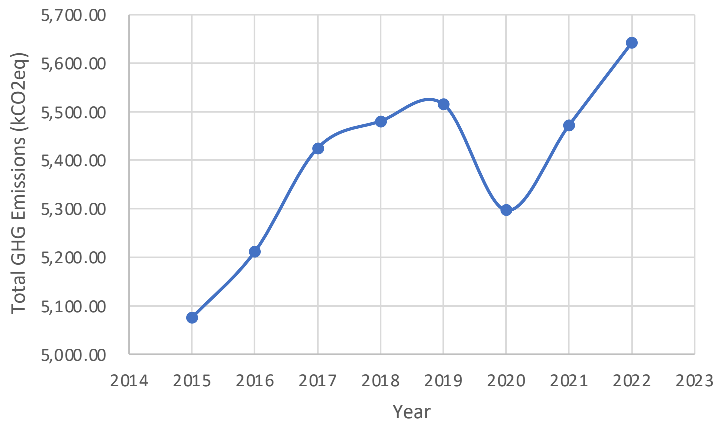
- Located in the Indian Ocean, approximately 2000km to the south eastern coast of Africa.
- Approx. 65km long and 45km wide, having an area of 1865km^2.
- Population: approx. 1.3M
- GDP per capita in 2022 was US$ 10,545.33

Project title: De-risking Facility for Energy Performance Contracting — Mauritius

Project needs

- Mauritius is highly vulnerable to the impact of climate change.
- Achieving 60% of RE in the electricity mix and coal phase out by 2030. Reduction in carbon emission by 40% by end of this decade.
- A mandatory energy audit is required as per Regulations in Mauritius.
- Potential energy saving of 10 GWh/year for the public sector and about 45GWh/year.
- Recommendations of the audit can not be implemented due to lack of financial support.

Mitigation impact	
Estimated mitigation impact over lifespan	993,000 tCO2eq
Estimated project lifespan	15 years
Project duration	5 years



Project Needs

- Energy Performance Contracting (EPC) is one approach that can contribute towards overcoming the barriers and challenges that limit the implementation of EE projects in Mauritius, such as in India, USA, Japan, Canada, Germany, etc.

- Energy Service Companies (ESCO) are firms specialized in Energy Efficiency that can bridge the gap between performance improvement need identification and project realisation. They sign EPC with the Client for implementation of projects.

- Funds required to procure energy efficient equipment, initiate and realise the project by ESCO.

- Traditional funding options, such as loans from banks, is problematic in the sense that commercial banks are reluctant to fund EE projects under EPC, which they consider as high-risk loans. The rationale is that plant and equipment to be procured by the ESCO will be installed within the premises of a third-party client.

- Guarantee mechanism is being proposed to de-risk the EPC.

Project overview

- Under this mechanism, guarantees will be issued for loans provided by private banking institutions to ESCOs.

- Guarantee mechanism offers a financial backstop by a third-party institution as a promise to cover the ESCO’s financial obligation if the latter fails to hold up to the end of their debt servicing.

- Mechanism funded by the financing partner will be administered by one or potentially two statutory financial institution(s).

- Mechanism is revolving and efficiency investments are likely to focus on the most profitable options initially, allowing a 5-year rotation of the fund. Projects identified through the existing EEMO auditing process have priority

National context

- Drive implementation of energy efficiency projects through EPC, thus improving energy efficiency of various economic sectors, achieving significant energy savings and reductions in national GHG emissions.

- Helps Mauritius to achieve its international commitment pledged at COP 27.

- Recommendations identified through the energy audits as per the Regulations will be able to be implemented.

- Public institutions have been required to implement guidelines developed by the EEMO to reduce their annual electricity consumption by 5%.

Justification of funding request

- Address financial investment barriers and incentivize investment in energy efficiency measures.

- The guarantee model aims at equalizing conditions for ESCOs, as 3rd-party investors, where no such guarantees are offered.

- The fund will be replenished through fees charged for guarantees and the EPC conditions offered by the ESCO.

- The guarantee mechanism provides the necessary risk-cover for Energy Efficiency loans and is a novel approach in Mauritius.

- Guarantee mechanism one component of the project. Other components are deployment of smart meters, implementation of Advanced Metering Infrastructure, setting up of a National EPC Framework

- Co-Financing: USD 58.7 million (~80%)
- Funding Requested: USD 16.8 million (~20%)

Finance required	
Total Project cost USD	75.5 million
Requested funding amount	USD 16.8 million
Financial Instrument	80% Dept; 20% Equity
Duration of project	15 years

Sustainability and replicability of the project (exit strategy)

- A financially sustainable mechanism,
- The fund will be replenished through fees charged for guarantees.
- Cash-flows will secure its sustainability, organic growth and potentially further expansion by inviting other (commercial or concessional) investors on board.
- Engage and motivate large energy consumers to improve their operational efficiency and profitability.
- Tax incentives may be offered by the Government to promote energy efficiency and support EPC projects
- ESCOs and EPC is a growing topic on the African continent and Mauritius can set the example.

Thank you for your attention

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