



Options for Financing Prosumers

July 26, 2021

Kosovo Energy Security of Supply (KESS)



Solar PV park in Kamenica, Kosovo
Photo: KESS

Key Challenges for Financing Prosumer Installations

The principal challenges faced by prosumers who wish to finance the installation include:

- ✓ Businesses would rather borrow for productive operations than for projects not considered as a core function
- ✓ Interest rates for prosumer projects are perceived to be relatively high
- ✓ Tenor of loan is short compared to life of prosumer installation
- ✓ High collateral requirement; Many businesses may already have a lien on their cash flows and assets and may not be able to provide additional collateral beyond the prosumer installation

Key Challenges for Financing Prosumer Installations

The principal challenges faced by prosumers who wish to finance the installation include:

- ✓ Monthly loan repayments could be higher than savings from prosumer installation if tenor is short
- ✓ Financing terms depend on client relationship with bank and not on the financial benefits from prosumer installation
- ✓ Project financing is presently not an option for prosumers

Financing Options for Prosumers

The following options for improved financing for prosumers are recommended based on financing barriers faced by prosumers and present financing products available to prosumers.

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- Develop Preferential Loan Products
 - Leverage KCGF guarantee products
 - Leverage FKEE financing
 - Modified "Project Finance" for prosumers
 - Leverage MDB financing instruments

Preferential Loan Products

Preferential Loan Products for Prosumer

Key features and benefits to prosumers

- ✓ Loan purpose: dedicated to financing prosumer installation
- ✓ Interest rates - 2-3% compared to regular interest rate of 5-6%
- ✓ Loan tenor – 10 years compared to 5-7 years
- ✓ Collateral – lower collateral requirement, or prosumer installation asset as collateral
- ✓ Monthly savings match monthly loan instalments

Benefit to banks

- ✓ Expanded and diversified loan portfolio
- ✓ Meets “green loan” objectives and ESG requirements
- ✓ Arrangement with developers could provide additional income through loan approval fees

Feasibility and implications of preferential product

- ✓ Would banks develop a preferential loan product for prosumers to capture the market potential?
- ✓ Are any regulatory approvals required?
- ✓ What support would banks need to develop preferential loan products for prosumers?

Leverage KCGF guarantee products

Leverage KCFG guarantees

Key features and benefits to prosumers

- ✓ Businesses receive better financing terms
- ✓ Collateral requirements are lower
- ✓ Simplified procedure for obtaining a loan

Benefit to banks

- ✓ Reduced risk in lending
- ✓ Potential to develop preferential loan products
- ✓ Expanded loan portfolio

Feasibility and implications of KCFG guarantee

- ✓ Would banks partnering with KCFG develop a preferential loan product for prosumers?
- ✓ Is the guarantee fee a deterrent?
- ✓ KCFG plans to develop a special "Energy Window" which could be used for prosumers
- ✓ Are any regulatory approvals required?
- ✓ What support would banks need?

Leveraging FKEE Financing

Leveraging FKEE Financing

Key features and benefits to prosumers

- ✓ Businesses receive better financing terms
- ✓ Collateral requirements are lower
- ✓ Simplified procedure for obtaining a loan

Benefit to banks

- ✓ Reduced risk in lending
- ✓ Potential to develop preferential loan products
- ✓ Expanded loan portfolio

Feasibility and implications of FKEE

- ✓ Can FKEE provide interest rate or capital subsidies for prosumers?
- ✓ Would banks offer a preferential loan product for prosumers with FKEE financing support?
- ✓ What support would FKEE and banks need?

Modified “Project Finance” for Prosumers

“Project Finance” for prosumers

Key features and benefits to prosumers

- ✓ Lending is based on project cash flows and not firm cash flow
- ✓ Does not impact ability to borrow for core business capital projects
- ✓ “Modified Project Finance” structure not requiring a separate SPV setup

Benefit to banks

- ✓ Lending based on project financial feasibility and not firm balance sheet
- ✓ Due diligence of only prosumer installation
- ✓ Loan repayments could be ring-fenced

Feasibility and implications of MDB financing instruments

- ✓ Would banks consider project finance for prosumer installations?
- ✓ What additional guarantees would bank need?
- ✓ Are any regulatory approvals required?
- ✓ What support would banks need?

Leverage MDB financing instruments

Leverage MDB financing instruments

Key features and benefits to prosumers

- ✓ Businesses receive better financing terms
- ✓ Businesses could potentially benefit from subsidies
- ✓ Collateral requirements are lower

Benefit to banks

- ✓ Reduced risk in lending
- ✓ Subsidies make projects more financeable
- ✓ Dedicated capital and/or guarantees
- ✓ Potential to develop preferential loan products
- ✓ Expanded loan portfolio
- ✓ Technical assistance from MDBs

Feasibility and implications of MDB financing instruments

- ✓ MDBs could offer both Financial Support Mechanisms and Financial Instruments?
- ✓ Would banks partner with MDBs to develop a preferential loan product for prosumers?
- ✓ Is the fee for MDB financing instruments a deterrent?

Next Steps for Developing Financing Solutions for Prosumers

- ✓ Support commercial banks, KCGF and FKEE through information sharing and capacity building to develop financing solutions for prosumers.
- ✓ Develop a web-enabled simple financing model for consumers to make go-no-go decisions on financing feasibility for becoming prosumers.
- ✓ Develop packaged solutions that address technical, regulatory, administrative and financial barriers.



Prepared by:

DT Global

USAID Award Number:

Contract Number:AID-I67-C-17-00004

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