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Part Two: Funding the Caribbean’s Sustainable Energy Future

With TAPSEC’s Support

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In case you missed it, see Part One [here](#).

As the saying goes, “money makes the world go ‘round’”. In the world of sustainable energy development, finance can make all the difference when it comes to ensuring that sustainable energy technology is available to those who need it most. In a region struggling with fuel price volatility and the devastating impacts of climate change, access to that technology is critical to regional efforts to transition to a low-carbon, climate-compatible development pathway.

The Technical Assistance Programme for Sustainable Energy in the Caribbean’s (TAPSEC) approach to addressing this challenge involved supporting regional institutions in their efforts to help sustainable energy project developers secure the funding they need while encouraging potential financiers to provide it. Funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Union (EU), TAPSEC provided technical and financial assistance to institutions such as the Caribbean Community (CARICOM) Secretariat, the Caribbean Centre for Renewable Energy and Energy Efficiency (CCREEE) and the Dominican Republic’s Ministry of Energy and Mines (MEM) as they implemented new finance mechanisms aimed at increasing regional access to critical renewable energy (RE) and energy-efficient (EE) technology.

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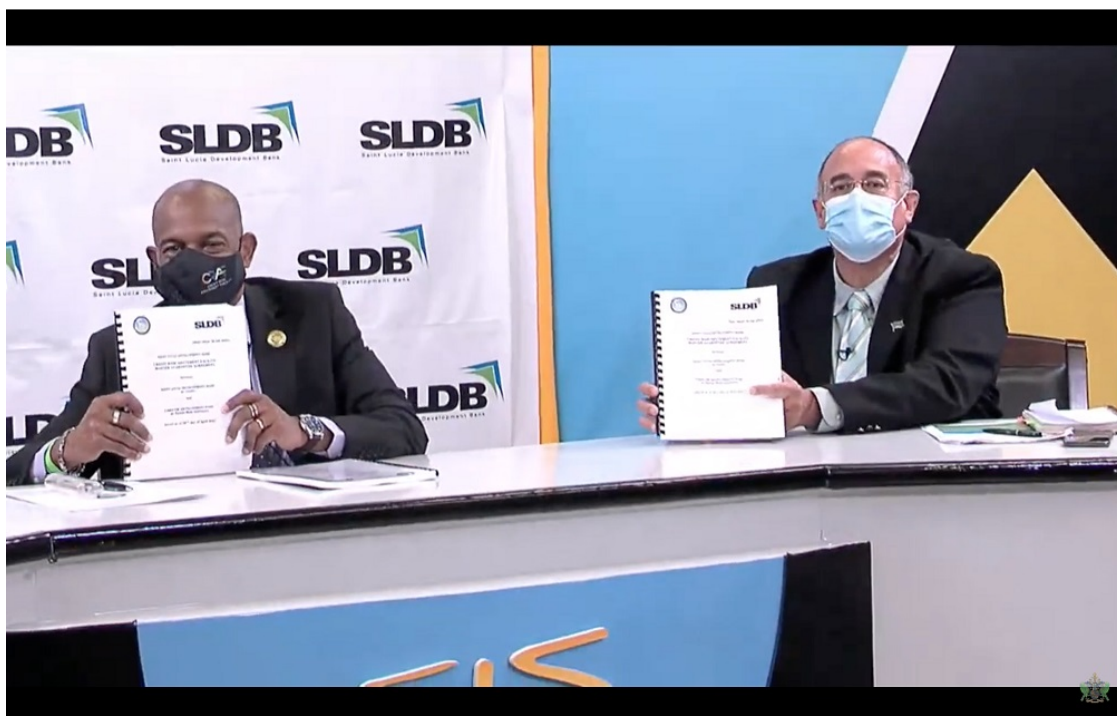
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Bringing RE/EE Projects to Bankability

The difference between a sustainable energy solution you can use to lower your electricity bills and one you cannot is often a matter of bankability. While project developers are obviously well-versed in the technical specifics of their technology, they may be at a loss when it comes to pitching that technology to the financial institutions that can help them bring it to market. In this scenario, a little guidance can make all the difference, which is why the CCREEE created the Sustainable Energy Finance Toolkit. Developed with technical support from TAPSEC, the Toolkit provides RE/EE project developers with the information they need to bring their projects to a level at which they can secure financing. Housed within the CARICOM Energy Knowledge Hub (CEKH)—another innovative TAPSEC-supported, CCREEE-implemented intervention—it also contains guidance to help financial institutions understand the technical details of RE/EE investment opportunities.

The Sustainable Energy Finance Toolkit brings project developers closer to the financiers they need, ultimately bringing our region closer to the technological solutions it needs to make the pivot to sustainability.



Caption: Chief Executive Officer of the CDF, Mr Rodinald Soomer and Vincent Boland, Managing Director of the SLDB during the CRAF Master Agreement signing in St. Lucia.

Reducing the Risks of RE/EE Investment

From the perspective of a financial institution, investment in an RE/EE project can seem risky, particularly if there is a lack of understanding of the technical details. This can make it difficult to create a welcoming environment for sustainable energy technology, as a lack of funding is a major hurdle to project development.

The CARICOM Development Fund (CDF) and CARICOM Secretariat Energy Unit teamed up to tackle this issue head-on with the Credit Risk Abatement Facility (CRAF). TAPSEC provided the initial technical support and facilitated a consultancy for the Facility, which is designed to increase investment in RE/EE projects by reducing the risks involved in lending.

CRAF is structured into three pillars, each of which addresses the challenges of securing financing for sustainable energy projects from a different angle. The Credit Risk Instrument (CRI) provides a partial credit guarantee to potential lenders, enabling small and medium enterprises (SMEs) to invest in the technology they need to reduce their operating costs and increase their competitiveness. The Technical Assistance Programme (TAP) works to remove the barriers to RE/EE project development by boosting the technical capacity for project execution and bringing financial institutions up to speed on energy project evaluation. The Monitoring and Evaluation Framework (MEF) assesses CRAF's effectiveness in its mission of encouraging additional lending.

CRAF has already been adopted by five CDF Member States (Belize, Barbados, St. Lucia, Guyana and Suriname), supported investments amounting to approximately US\$300,000 and onboarded four financial institutions in three countries. It has also trained more than 60 officials in several regional financial institutions.

The Facility itself is a blueprint for other credit enhancement programs supporting access to project financing. It is also directly responsible for furthering the regional shift toward energy sustainability.

With its conclusion in June 2022, TAPSEC wrapped up five years of lending financial and technical support to the regional institutions that have long been doing the hard work of driving the regional transition to energy sustainability. In its wake, the interventions executed in partnership with those institutions—including the CARICOM Secretariat, the CCREEE, the Dominican Republic's Ministry of Energy and Mines (MEM), the Caribbean Development Bank (CDB), the Caribbean Electric Utility Services Corporation (CARILEC) and the CDF— will live on, creating meaningful change across the Caribbean and bringing us all that much closer to a brighter sustainable energy future.

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