Glossary[1]

Bankable: Projects that have sufficient collateral, probability of success and predictability of future cash flows to be acceptable to prospective financiers.

Capital recycling: Providing refinancing once a project is at the operational stage so that early-stage investors have an "exit strategy", allowing them to free up capital to invest in new projects, i.e. "recycle" their capital.

Corporate financing: The act or process through which a corporation raises or obtains capital.

Credit enhancement: Reducing the credit or default risk of a debt, thereby improving its credit-worthiness and increasing the overall credit rating.

"Crowding in": Crowding in occurs when public investment induces greater private investment than would have occurred otherwise.

"Crowding out": Crowding out occurs when a public intervention directly displaces the efforts of the private sector by undertaking projects the private sector would have otherwise carried out. Crowding out can also occur indirectly if governments use distortionary taxes to fund public investment, or in situations where demand for government borrowing results in increased interest rates and can make borrowing too costly for private investors.

Crowdsourcing: The process of obtaining ideas, content or funding, usually online, from a large group of people. In the context of this publication, crowdsourcing refers to attracting small unaccredited investors to provide funding for renewable energy projects.

ESCO: An energy service company (ESCO) can offer a broad range of energy services to end-users, including the design and implementation of energy-savings projects, retrofitting, energy conservation, energy infrastructure outsourcing, power generation, energy supply and risk management. What characterises these companies from others is that they can arrange financing where their remuneration can be directly linked to the energy savings achieved.

Green investment bank: Broadly defined as a publicly capitalised entity established specifically to facilitate and attract private investment in domestic low-carbon and climate-resilient infrastructure through different activities and interventions.

Institutional investor: Institutional investors are usually synonymous with "intermediary investors", that is, institutions that manage and invest other people's money. The term institutional investor can be used to describe insurance companies,

1. *Disclaimer:* Explanations on the terms are very condensed and may not be complete. They are not considered to necessarily reflect the official position of the OECD.

investment funds, pension funds, public pension reserve funds (social security systems), foundations and endowments, among others.

Investment bank: An investment bank traditionally facilitates transactions of all types in the wholesale financial markets (transactions conducted by corporations, businesses, institutional investors and high net worth individuals) including mergers and acquisitions (the purchase and sale of businesses and their assets), capital raising or "underwriting" (of equity, debt, etc.) on behalf of corporations or their shareholders. They may provide ancillary services, such as market making; trading of derivatives, securities and other financial instruments; investing and lending; asset management; and fixed income instruments, currencies and commodities (FICC) services. This excludes retail brokerage, retail lending or any other practice that centres on "unaccredited investors".

Liquidity Risk: A financial risk stemming from the lack of marketability of an asset, commodity or security that cannot be converted swiftly enough to preclude an inordinate loss.

Mezzanine financing: Mezzanine financing is senior to common shares (equity) (i.e. mezzanine investors receive returns from the investment before equity holders), but junior to secured debt or senior debt. Mezzanine financing normally includes subordinated (i.e. junior) debt or preferred equity (i.e. equity shares that provide dividends before common stock dividends are paid out) and is usually more expensive than senior debt. It can be used as the stage of financing that follows venture capital.

On-bill finance: On-bill finance allows utility consumers to invest in energy efficiency improvements and repay the funds through additional charges on their utility bill. Under this approach, a third party (such as an energy provider) provides upfront funding for energy efficiency improvements to an investor (e.g. a tenant in a residential or commercial building). The beneficiary pays back the loan via its existing energy bill. In many cases, repayments are structured in such a way that the monthly energy savings achieved through the investment equal or outweigh the loan repayments. If structured properly, an on-bill finance programme can substantially reduce the cost of and improve access to financing.

Origination: Loan origination generally includes all the steps from accepting a loan application up to the disbursal of funds (or denial of the loan application).

Public financial institution (PFI): A publicly created or mandated financial institution created in many cases to correct for the lack of market-based finance through the provision of missing financial services.

Retrofit: An energy efficiency retrofit is an improvement made to an existing structure which improves the overall energy efficiency of a building or home.

Risk mitigant: Risk mitigants include a range of targeted interventions generally aimed at reducing, reassigning or reapportioning different investment risks using mechanisms such as guarantees and insurance products, public stakes and other forms of credit enhancement. By providing coverage for risks which are new and are not currently covered by financial actors, or are simply too costly for investors, risk-mitigating tools increase the attractiveness and acceptability of sustainable energy projects for institutional investors that are particularly risk-averse (e.g. pension funds).

Risk profile: An assessment of the degree to which an investor is prepared to accept losses at the expense of potential gain.

Securitisation: Securitisation is the process of transforming illiquid financial assets into tradable products.

Tax lien: A legal claim by a government entity against a property if tax debts are unpaid. Tax liens are a last resort to force an individual or business to pay back taxes. Tax liens take precedence over all other liens on a property and (in case of liquidation) must be satisfied first.

Transaction enabler: A process or technique which facilitates investment by reducing the associated transaction costs.

Underwriting: In the case of loans, underwriting is the process by which a lender decides whether a potential creditor is creditworthy and should receive a loan. For securities issuances, underwriting is the procedure by which an underwriter, such as an investment bank, brings a new security issue to the investing public in an offering. In such a case, the underwriter will guarantee a certain price for a certain number of securities to the party that is issuing the security (in exchange for a fee). Thus, the issuer is secure that they will raise a certain minimum from the issue, while the underwriter bears the risk of the issue.

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