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Microfinance Institutions Reducing Fossil Fuel Dependence

In December, the Pacific Renewable Energy and Microfinance (PREM) project will train Microfinance Institutions on the important role they play in reducing Pacific fossil fuel dependence. The training, undertaken by The Foundation for Development Cooperation (FDC) is just one part of the PREM project that aims to develop innovative loan products that support financing of renewable and energy efficiency technology in the Pacific.

The project, funded by Renewable Energy and Energy Efficiency Partnership (REEEP), works with Microfinance Institutions in Fiji, Samoa and Vanuatu to remove barriers to renewable energy and energy efficiency uptake in the Pacific. REEEP is an international multi-stakeholder partnership aiming to accelerate the market for renewable energy and energy efficiency.

Microfinance services has grown in the Pacific within the last 8 years providing basic financial services such as credit and savings to the poor to help them set up an enterprise, expand an existing one or cater for a family need. It is a valuable tool for providing capital to poor and low income earners especially women.

In the Pacific there has been only limited use of microfinance schemes to finance energy-related technologies and equipment, but there is significant potential for small-scale lending to be adapted to meet a household's needs, for microenterprises and for affordable access to energy. Microfinance clients are often those most vulnerable to oil price fluctuations and often reside in remote locations not serviced by the electrical utility. Despite this, their entrepreneurial nature means they are ideal to expand the outreach of renewable energy to remote locations otherwise difficult to access.

There is also a huge potential to educate communities and introduce renewable energy (RE) based and energy efficient (EE) appliances through microfinance service providers in the Pacific. Through education and information we can influence the thinking and practices of grassroots population and provide a viable funding avenue through microfinance to enable them to convert to sustainable energy. It is also of critical importance is to find out the energy needs of the clients and what renewable energy sources are available as viable options within the framework of the microfinance services that they provide.

In the first phase of the PREM, FDC has identified Microfinance Institutions in the 3 island countries undertake a basic training on renewable energy and energy efficiency.

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The second phase of the project will see FDC working with the Microfinance Institutions to conduct energy needs assessments and environmental risk assessments. The results of this exercise will eventually allow the MFIs to build the best possible loan product for their clients and develop long term sustainable plans. This will run over six months and will commence after the training.

The PREM project aims help communities reduce their reliance on fossil fuels through affordable and accessible renewable energy and energy efficient technologies. There will also be the global benefit of a reduction in greenhouse gas emissions. Updates on the progress of the **PREM Project** will be available at www.fdc.org.au and www.microfinanceppasifika.org

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