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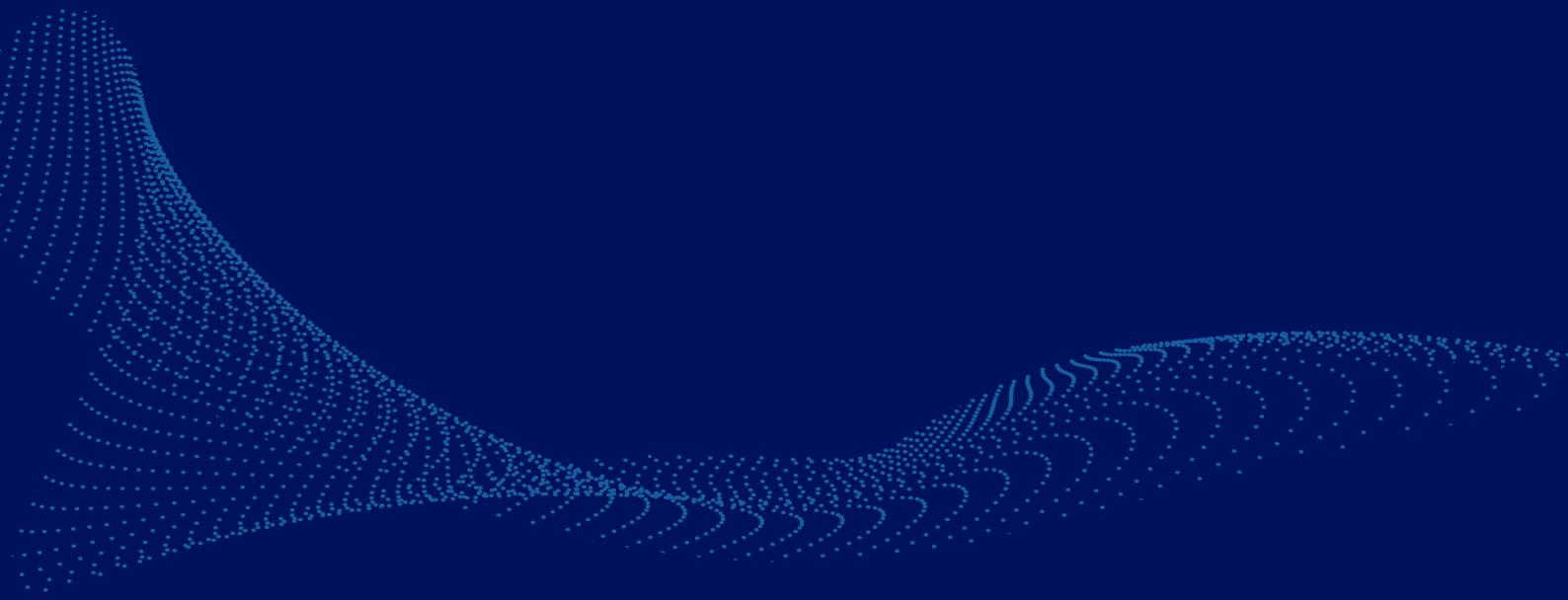
UNIDO UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Building a Business Case for your Energy Efficiency Project

A practical guide for industries in Sri Lanka



ACCELERATING INDUSTRIES' CLIMATE RESPONSE SRI LANKA



The content for this guide is derived from the United Nations Industrial Development Organization's (UNIDO) training programme on preparing bankable business proposals for low-carbon technology projects.

This has been adapted by, and is delivered through, the European Union-funded Accelerating Industries' Climate Response in Sri Lanka Project.

Find out more by visiting:
IndustriesClimateResponse.com

Introduction

Energy efficiency is one of the most cost-effective ways for businesses to cut operating costs, improve competitiveness, and support national climate goals. Yet for many industrial companies, accessing sustainable finance for energy-efficiency projects remains difficult—especially when the value of unused energy is hard to quantify.

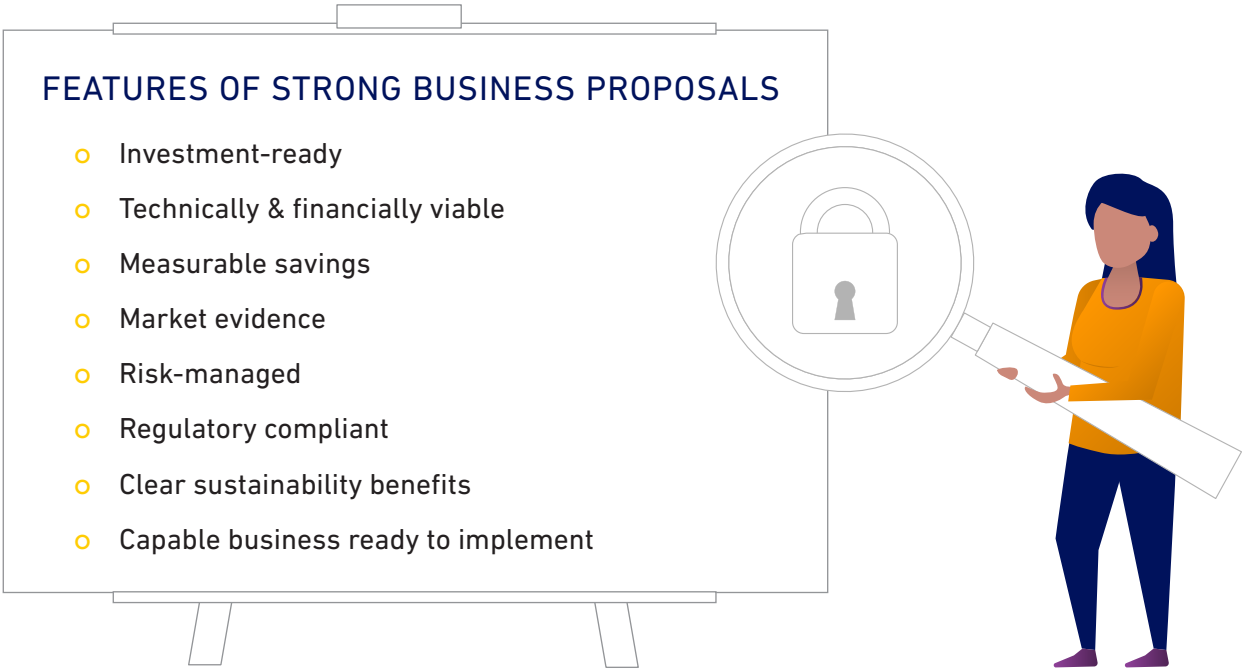
This guide provides a practical step-by-step approach to help industrial businesses develop a compelling, bankable business proposal for financing energy-efficiency projects.

There are increasing opportunities to access sustainable finance, including for energy-efficiency projects.

This type of finance integrates environmental, social and governance (ESG) principles into investment decisions. It channels funding toward projects that contribute to a greener and fairer economy.

What is a bankable business proposal?

Put simply, a bankable business proposal shows financiers your energy efficiency project is ready for investment. It proves the project is technically sound, financially viable, and backed by real market evidence. It clearly outlines costs and measurable savings, addresses potential risks, and shows how they will be managed. It also meets legal and regulatory requirements and highlights the project's sustainability benefits. It also demonstrates that your company has the capacity to deliver the project. In short, it turns an energy-efficiency opportunity into a credible, finance-ready project that investors can trust.



Bankable proposals matter as investors need more than ideas

Without bankability, many promising energy efficiency opportunities remain stuck due to lack of financial justification or clarity for financiers. Making a project bankable builds confidence for both companies and financiers, reduces risk, supports better decision-making, and accelerates the implementation of energy-efficiency projects that reduce costs, strengthen competitiveness, and advance national climate and sustainability goals.



The key elements of a bankable business proposal

To secure funding for an energy efficiency project, you need more than a good idea. You need a clear and well structured business proposal. Such a proposal includes a strong business plan, which shows that your company is well-managed and credible. It also includes a project proposal, which details the goals, scope, tasks, timeline, budget and risks to demonstrate how the project will deliver measurable energy and cost savings.

This approach gives financiers a complete picture: your business is capable, and your project is practical, measurable, achievable and valuable.

Financiers are backing your project and your business. That's why a clear business plan and a detailed project proposal are critical. Together, these show that you're credible, organized and ready to deliver measurable energy savings.



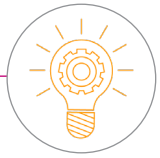
EXECUTIVE SUMMARY

- Grab reader's attention
- Identify the most important sections
- Save the reader's time



BUSINESS PLAN

- Company overview
- Business environment
- Management team
- Marketing aspects
- Regulatory aspects
- Operational aspects
- Financial review



PROJECT PROPOSAL



- Background and rationale
- Goals and objectives
- Description
- Technical aspects
- Team
- Tasks and timelines
- Financial aspects
- Risks
- Justification



APPENDICES

Writing a strong business plan

A strong business plan is your starting point for securing funding. Financiers need clear, concise answers about your business: who you are, how you operate, as well as the opportunities and risks ahead. By carefully preparing each section, you show that you understand your market, your operations, and the value your energy efficiency project can deliver.

This section presents the essential elements of a business proposal and what financiers expect to see.



BUSINESS PLAN

Company overview

This section builds your company's credibility

- Provide a description of your business: history, products or services, vision and mission.
- Highlight key achievements and your market position.
- Show how your energy efficiency project fits with your overall mission and goals.

★ *Include one or two sentences showing your commitment to sustainability; financiers like to see alignment with long-term business goals.*



Business environment

Financiers want to understand your company and the external environment in which it works.

- Describe the industry and market in which your business operates.
- Identify key trends, opportunities and challenges.
- Explain how energy efficiency can improve competitiveness within this context.

★ *Use recent industry statistics or local market data to strengthen your case.*



Management team

Even the best ideas can fail if you don't have the right people.

- Provide brief bios of key personnel.
- Highlight experience, qualifications and roles in delivering the project, if relevant.

★ *If your team has experience managing energy efficiency projects, make sure to emphasize this as it builds credibility.*

Marketing aspects

- Describe your target market, sales channels and marketing strategies.
- Include your Key Performance Indicators.
- Highlight your Unique Selling Proposition and how your product or service stands out.

★ *Consider how improved efficiency may enhance your product/service offering and include information about this. (e.g., cost savings, reliability, sustainability credentials).*

This section shows your businesses' ability to attract and retain customers.





Regulatory aspects

- List relevant permits, licenses, and certifications.
- Include health, safety and environmental compliance measures.
- Show alignment with energy efficiency standards or local sustainability guidelines.

★ *Financiers will be reassured if your project demonstrates regulatory awareness, so it's important to include this section.*

Compliance is an assurance of the long term sustainability.

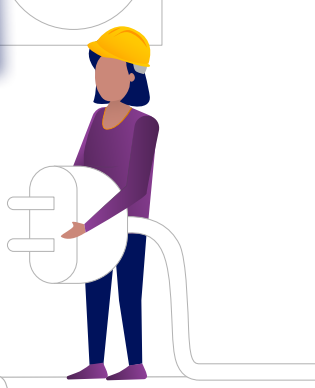


Operational aspects

- Describe production processes, supply chain and delivery methods.
- Explain how the energy efficiency project will be integrated into operations.
- Highlight quality control, environmental management and customer service policies.

★ *Include a diagram of your business cycle (if possible) as it makes complex systems easier to understand.*

This section shows how strategies can be implemented.



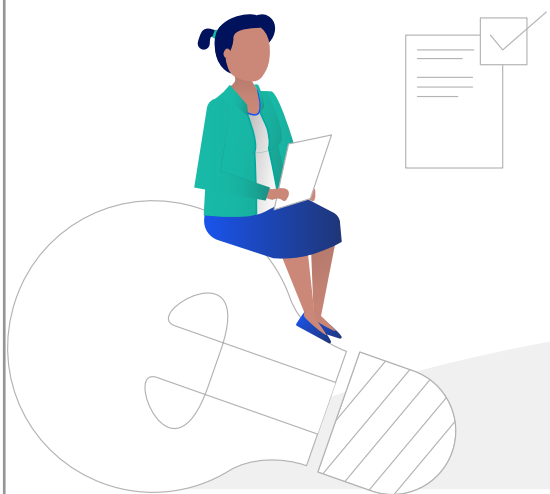
Financial review

- Provide financial statements for the past 3–5 years: income statement, balance sheet, cash flow statement.
- Explain deviations from the norm and volatile trends, if any.

★ *Keep it real; financiers value honesty and realism.*

Past performance builds credibility.







Presenting your energy efficiency project proposal

While your business plan establishes the credibility and strength of your company, the project proposal focuses on the value of your energy efficiency project. It provides financiers with a clear picture of what the project involves, how it will be implemented, why it is important, and what benefits it will deliver.

For energy efficiency projects, this is particularly important because the benefits, such as cost savings and reduced energy consumption, are often invisible unless clearly quantified.



What financiers look for

Clear goals	Defined energy and cost-saving objectives
Evidence	Measurable data from audits or assessments
Financial returns	Payback period, IRR*, NPV** clearly calculated
Risk management	Awareness of potential issues and mitigations
Credibility	Experienced team and transparent governance

Background and rationale

It's important to set the scene and explain why your project is important. Keep it clear and to the point.

HOW TO WRITE IT:

- **Describe the current situation:**
  What's happening now? Mention key issues such as high energy costs, outdated equipment, or high fuel consumption.
- **Explain why it matters:**
  How do these problems affect your business—e.g., higher production costs, lower competitiveness, or non-compliance with export standards.
- **Show your solution:**
  Briefly explain how the proposed project will fix these problems and what improvements or savings you expect.
- **Connect to strategy:**
  Highlight how the project supports your company's goals and fits with broader market or environmental trends.

Energy efficiency is "invisible" but valuable

Energy efficiency doesn't produce something new, rather it saves what would otherwise be wasted. The value lies in reduced consumption, lower costs and improved performance. Help financiers see these savings and benefits through clear quantification. That's why post implementation measurement and verification is very important.



*Internal rate of return (IRR) tells financiers the expected annualized percentage return.
** Net present value (NPV) tells financiers if the project is financially worthwhile in absolute monetary terms.

Project goals and objectives

The first step in detailing your energy efficiency project is to clearly define what you aim to achieve. Your goals should link the project to measurable energy savings, cost reductions or broader business benefits, showing financiers that the project is not just a technical upgrade, but part of your long-term growth strategy.



FOR EXAMPLE:

- By year-end, decrease overall energy consumption by 10%, resulting in energy cost savings.
- Reduce greenhouse gas emissions by 5% by year-end, as mandated by exporters.
- Improve lighting quality in the factory to support worker productivity and safety.

Project description

A clear overview of what the project will do and how it will be implemented is critical. Describe the main activities, technologies or measures to be introduced, along with an overview of the project's scope, timeline and key participants. Include where the project will take place and any important milestones.

Keep it concise but detailed enough for readers to understand what will be done and how it will lead to energy savings.

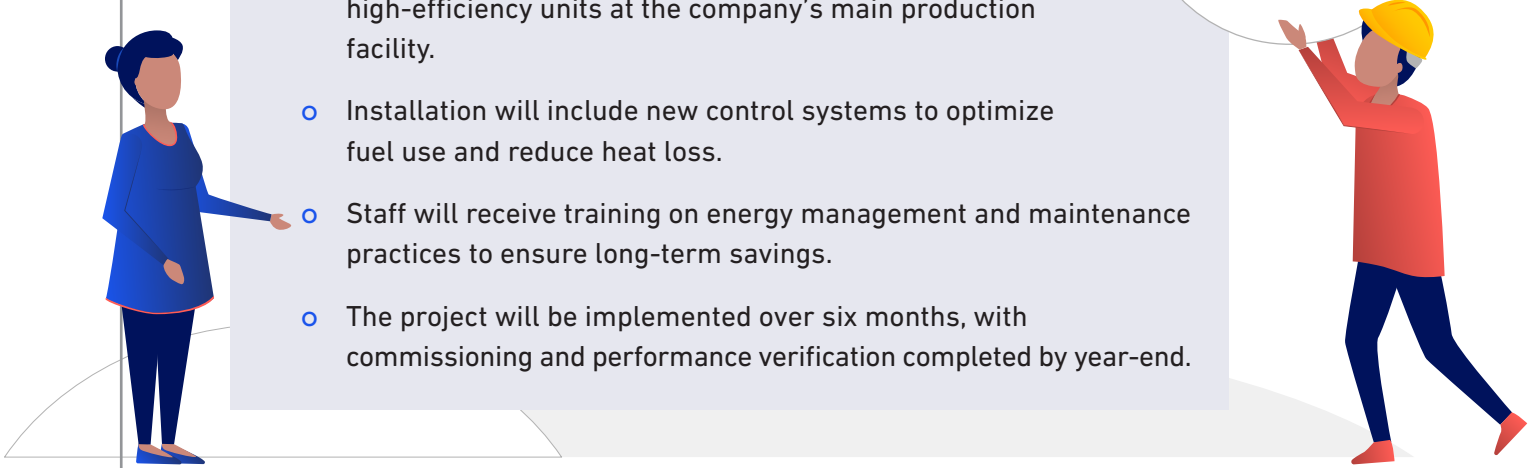
From Morocco to Myanmar

Be inspired by other industrial energy efficiency projects from around the world.

Check out this collection of case studies.

FOR EXAMPLE:

- The project will replace three outdated steam boilers with high-efficiency units at the company's main production facility.
- Installation will include new control systems to optimize fuel use and reduce heat loss.
- Staff will receive training on energy management and maintenance practices to ensure long-term savings.
- The project will be implemented over six months, with commissioning and performance verification completed by year-end.



Technical aspects

It's important to explain the technical foundation of your project and why the chosen solution is appropriate.

HOW TO WRITE IT:

- **Describe the technology:**
  Explain what it is, how it works, and why it was selected, assuming the reader has no prior technical knowledge.
- **Provide technical details:**
  Include performance data, simulation results, key assumptions, and a comparison with current systems.
- **Highlight key equipment:**
  Describe main equipment, their functions, lifespan, warranties, maintenance needs, availability of spare parts, and any required tools or software.
- **Justify procurement and suppliers:**
  Include supplier track record, evaluation of alternative quotations, and rationale for selection.
- **Outline implementation:**
  Cover installation, commissioning, staff training, and operation and maintenance plans.
- **Include raw materials or fuels**
  (if applicable): Describe availability, cost, supply chains, storage needs, and alternatives.
- **Address regulatory and compliance requirements:**
  Note approvals, licenses, studies, timelines, and costs to meet legal and internal standards.
- **Explain procedure** that will be used to carry out post-implementation measurement and verification. How to measure and verify savings is important to the financiers to assess project viability.

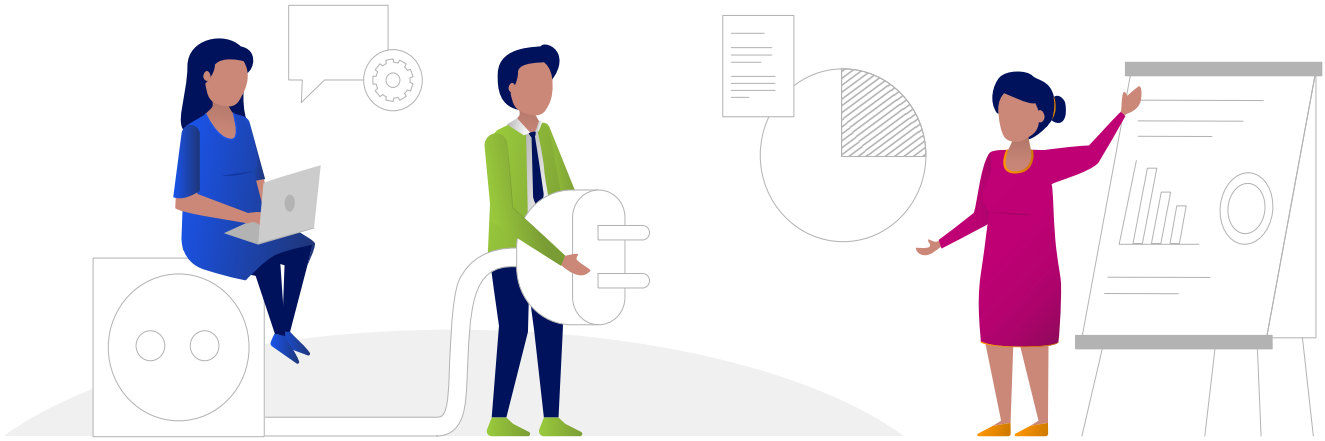


Project team

Clearly introduce the project team and the resources available to implement the project. Outline the leadership structure, the duties and responsibilities of each team member, and the reporting lines.

You can use a table (see example below) to include a detailed breakdown of key activities, specifying who is responsible for each task, the timeline for completion, and the stakeholders involved. This helps demonstrate that the project is well-organized, with the right people and resources in place to achieve its objectives.

Activity	Person in charge	Stakeholders
Energy audits	Head of technical team	ESCO, ...
Financial analysis	Head of finance team	Technical, Logistics, ...
O&M	Head of technical team	Equipment Supplier, ...
Procurement	Head of logistics	Vendors, ...
Progress monitoring	Project Manager	Technical, Logistics, ...



Project tasks and timeline

Clearly outline the main tasks needed to complete the project and organize them in a logical sequence. For each task, indicate who is responsible, the expected start and end dates, and any dependencies between activities.

Task	Specific duration	Resources	Dependencies
1. **Conduct energy audit**	2 weeks from start	Energy auditor	–
2. **Design lighting system**	4 weeks from task one	Electrical engineer, lighting designer	Audit completed
3. **Procure lights & fixtures**	6 weeks from task two	Purchasing manager	Design completed
4. **Install lights & fixtures**	8 weeks from task three	Electricians	Procurement completed
5. **Commission system**	2 weeks from task four	Electrical engineer	Installation completed

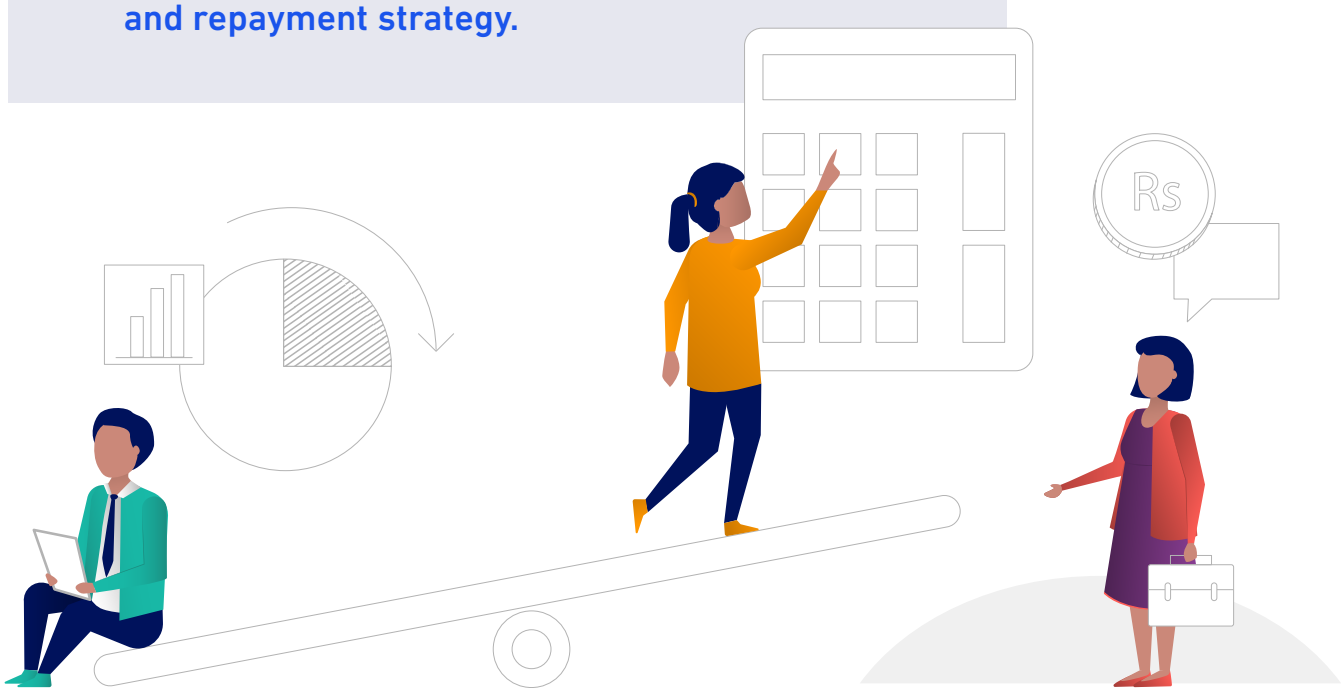
Financial aspects

Presenting the financial foundation of your project and demonstrating its feasibility is one of the most important aspects of your project proposal.

Keep the presentation clear and well-structured, using tables or charts where possible to make the financial story easy to follow.

HOW TO WRITE IT:

- **Break down project costs:**
  Include preliminary costs, civil works, machinery and equipment, utilities, waste treatment, working capital, interest during implementation, and contingencies.
- **Outline the funding structure:**
  Specify the mix of debt, equity, grants, or subsidies.
- **Justify assumptions with facts, industry benchmarks or competitor data:** Highlight assumptions about revenue growth, market share, raw material and labor costs, operational capacity, interest rates, and tax rates.
- **Present financial projections:**
  Include profitability forecasts, cash flows, and key indicators like debt service cover, payback period, IRR and NPV.
- **Include sensitivity analysis:**
  Show how financial performance may change under different scenarios to demonstrate risk awareness and project robustness.
- **Detail funding requirements, collateral and repayment strategy.**



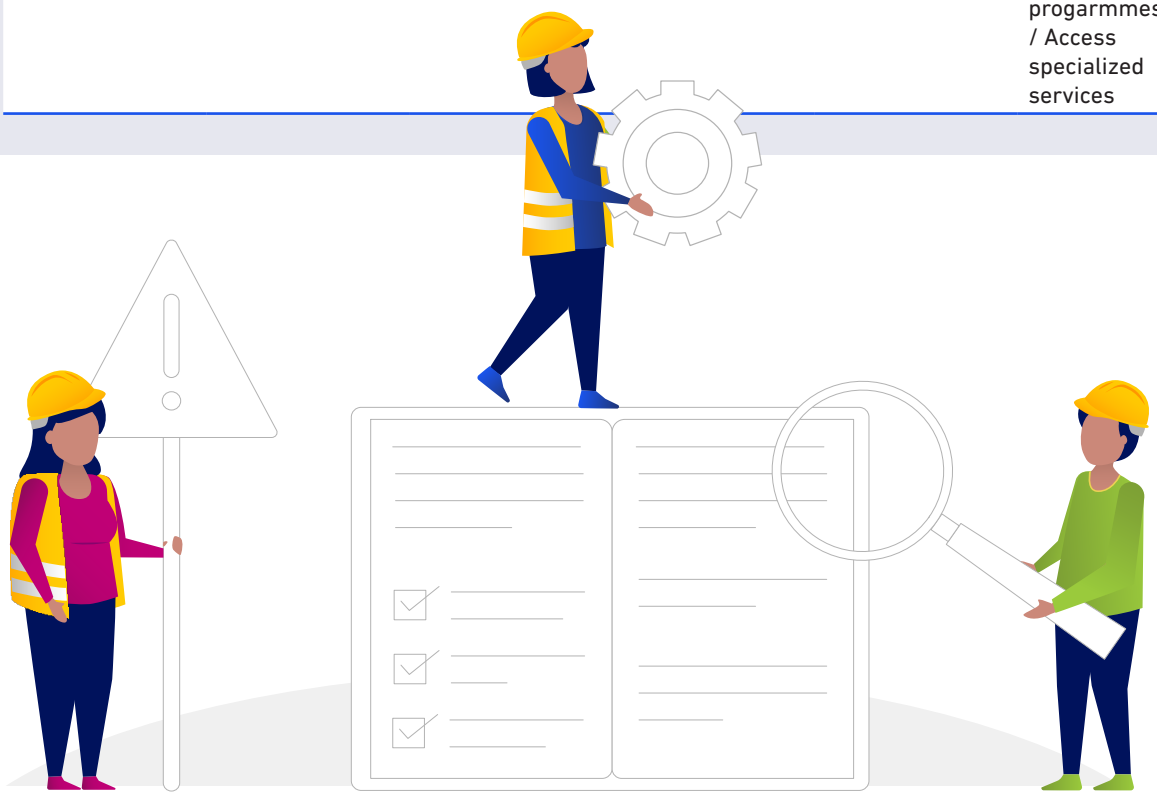
Project risks

Identify potential risks that could affect the project, such as procurement delays, installation challenges, or technical problems.

For each risk, include possible mitigation strategies (for example, having alternative suppliers, phased commissioning, or contingency plans) to show that risks are understood and managed proactively.

FOR EXAMPLE:

Category	Description	Impact	Probability	Mitigation	Measure
Technical	Lower than estimated energy saving	Low returns	Known technology (low) Unknown technology (high)	Minimum performance guarantees (ESCO / Guarantee Fund)	Success rate Track record of ESCO / elligibility to access guarantee fund
Operational	Delays in installation	Time overruns	Well establihed suppliers and technologies (low) Unknown supplier but known technology (medium)	Supplier contract with penalties for delays	Track record Clearly defined milestones and deliverables
Operational	Lack of skilled staff Over dependance on single individual	Work disruptions	Required skills available in the market (low) Specialized skill (high)	Training of co. staff / Outsource to specialized service provider	Maintain a register of people with similar skills Inhouse training progarmmes / Access specialized services



Project justification

Explain why the project is important and worth investing in. Highlight the positive outcomes and benefits, including financial gains, social impact, and environmental improvements. Show how the project is necessary for business survival, such as retaining existing markets, accessing new markets, or acquiring new technology. Finally, emphasize how the project supports long-term sustainability, ensuring continued efficiency, competitiveness, and responsible resource use.

FOR EXAMPLE:

This energy efficiency project is essential for strengthening our company's competitiveness in an increasingly resource-constrained market. Rising energy costs have a direct impact on production expenses, reducing our ability to maintain competitive pricing and access new export markets.

By upgrading to high-efficiency motors and optimizing our energy management systems, we aim to reduce electricity consumption by 25%, resulting in annual savings that will be reinvested into further sustainability initiatives such as solar rooftop installation and waste reduction programs.

Beyond financial benefits, the project will lower our greenhouse gas emissions and contribute to national energy conservation goals, supporting Sri Lanka's transition toward a low-carbon economy. It will also enhance our brand reputation with environmentally conscious customers and strengthen relationships with international partners who increasingly demand sustainable production practices.

Overall, this project is a vital step toward ensuring our long-term operational efficiency, resilience, and responsible resource use, while positioning the company as a leader in sustainable industry transformation.



Bringing it all together

A well-crafted executive summary captures your energy efficiency project's essence and investment value, while supporting appendices and a strong conclusion demonstrate credibility and align stakeholders around measurable business, environmental, and financial benefits.



Compelling executive summary

Even though this section appears first in most funding pitches, it is best to write it last, once all the information has been gathered. This is possibly the most important section as it is the first (and sometimes the only) part financiers read. So, it needs to capture the essence of your business and energy efficiency project quickly and clearly, showing why funding your initiative is a smart investment.

GRAB READER'S ATTENTION

SAVE THE READER'S TIME

IDENTIFY IMPORTANT SECTIONS

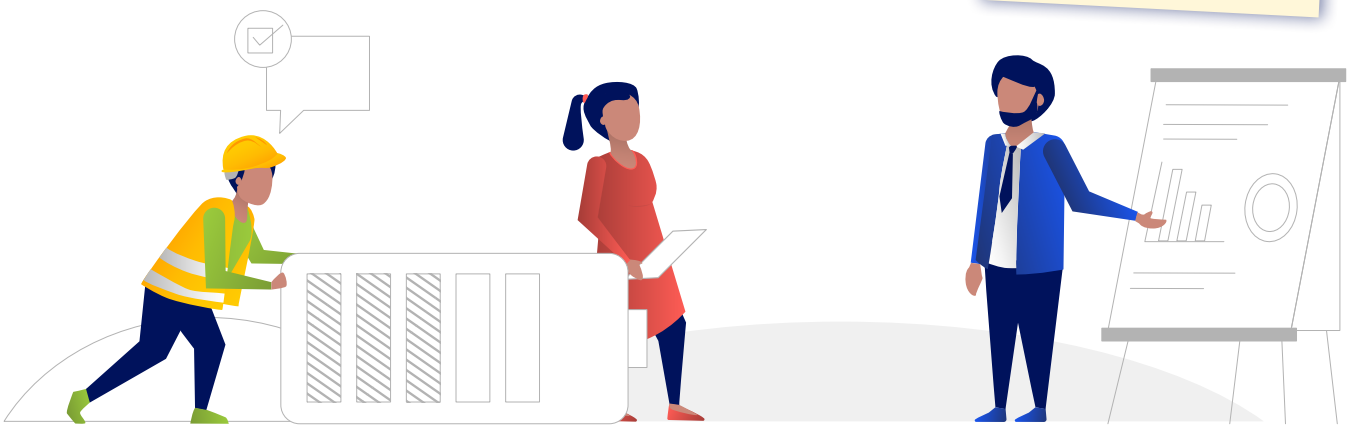
INCLUDE:

- Short summary of your energy efficiency project proposal
- Briefly describe your company, business objectives, key highlights, and management strengths
- Project goal (e.g., "Upgrade factory lighting to reduce energy use by 25%")
- Financing need, amount requested, intended use, and how any loan will be repaid
- Expected savings and payback period
- Environmental and social benefits
- Contact information for follow-up

Appendix

The appendix contains supporting and supplementary information that is too detailed for the main document but is referenced within it. Include only relevant materials that help demonstrate the project's credibility, viability, and the company's capability. Examples include financial projections, market research, CVs of key personnel, customer references, project plans, and legal documents.

Only include relevant and important information; avoid turning the appendix into an information "dumping ground."



Conclusion

Developing a compelling business case for your energy efficiency project not only shows the value it delivers to your business, stakeholders and the environment, but also helps align and rally your team around the project's goals. By combining a well-prepared business plan with a detailed project proposal, you demonstrate credibility, careful planning and measurable benefits.

Following the steps in this guide will help you present your project clearly and professionally, increasing your chances of securing financing and successfully implementing energy efficiency initiatives that strengthen both profitability and long-term sustainability.

The Accelerating Industries' Climate Repone in Sri Lanka project is funded by the European Union and implemented by the United Nations Industrial Development Organization with the Ministry of Environment, the Ministry of Industry and Entrepreneurship Development, and the Ministry of Energy.

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