

# **European Bank for Reconstruction and Development**

**Investing in EE and RE in the Energy  
Community**

**Panel Discussion: Progress and Barriers to  
EE in the Energy Community**

**18 March 2010**



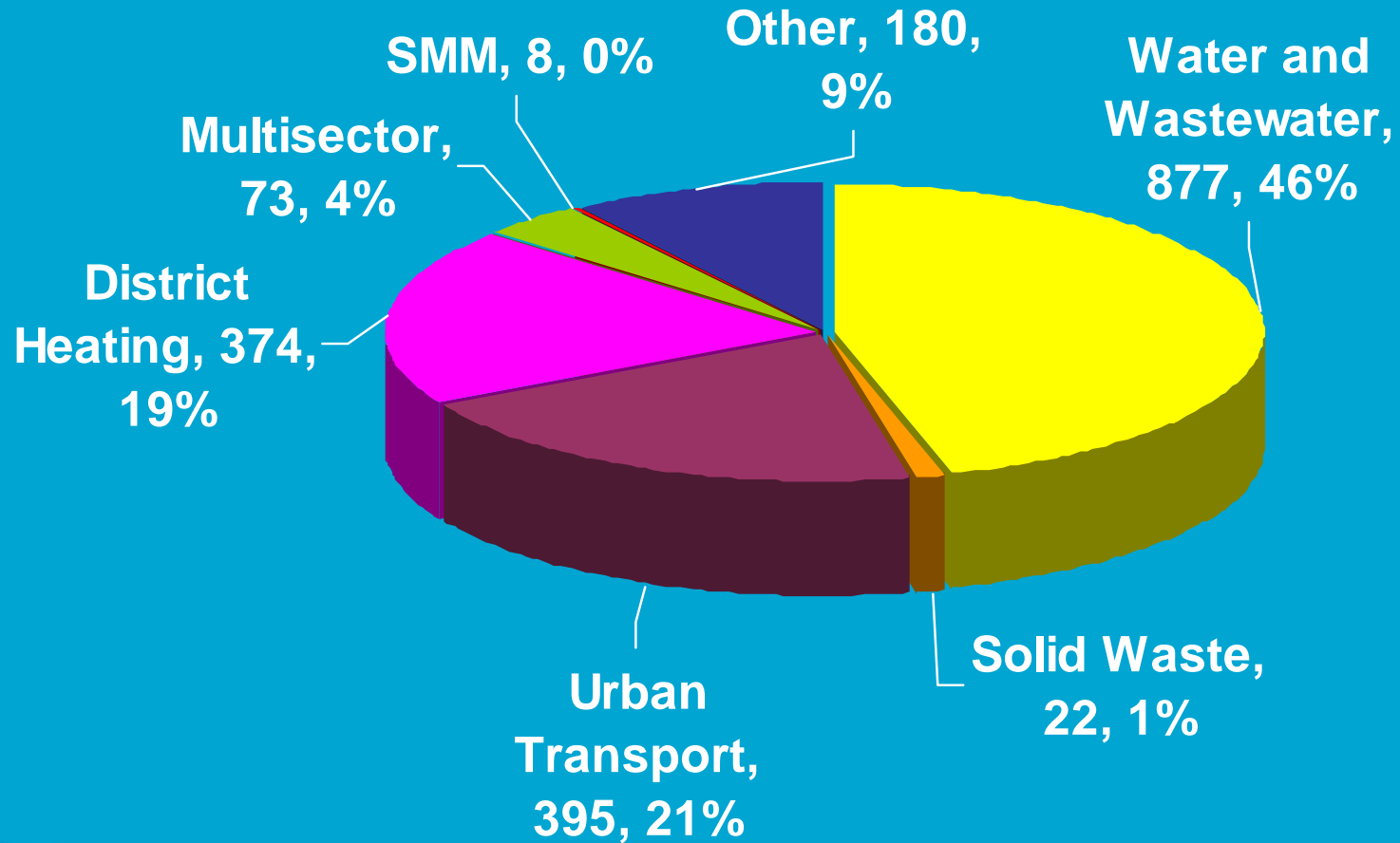
# EBRD's role in the municipal sector

- Structuring the financing of municipal infrastructure, equipment and services
- Promote commercialisation and corporatisation of services
- Development of regulatory structures
- Promotion of appropriate private sector involvement
- Environmental, social, health and safety improvement
- Facilitate donor grant and commercial loan co-financing

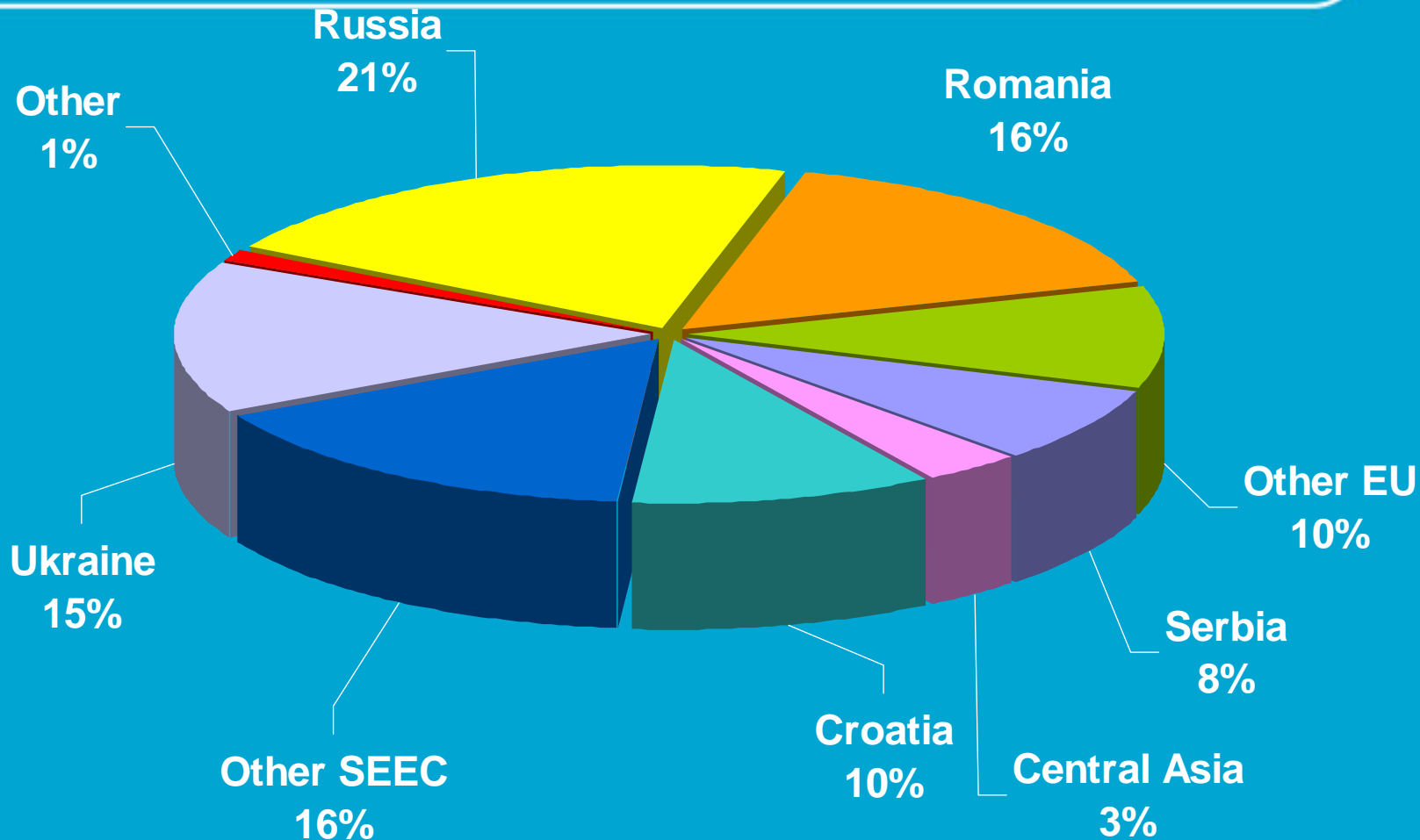
**EBRD helps municipalities meet their infrastructure needs**



# MEI Portfolio Sector Split – Dec2009



# MEI Portfolio Geographical Split - 2009



# Municipal Energy Efficiency Paradigm (of lack thereof) in EBRD's countries of Operation

- District Heating Sector
  - Obsolete heating systems, creating vast energy and water losses and high operating costs
  - Emphasis on heat production instead of efficient supply
- Water Sector
  - Excessive water losses, no sludge valorization strategy
  - Oversized facilities and general inefficient operation
- Public buildings
  - Poor insulation and regulation result in significant heat losses
- Privatised multi-family housing
  - Same issue as above



## What are the barriers to energy efficiency investment in the municipal sector ?

- Regulatory framework ?
- General Investment Capacity of Operators ?
- Systems' architecture ?



# Enabling Regulatory Framework

- Lack of regulatory and institutional reforms to
  - promote energy and cost savings (consumption-based billings, cross-subsidy reforms, commercialisation of DH companies)
  - set tariff at full cost recovery (receivable w/o, water and heat losses)
  - timely tariff adjustment for energy costs/low heat season
  - holistic approach to heat supply (disconnection policy)
- Separation between the regulator and political
- Balanced investment/savings approach
- Private housing reforms



# Systems Architecture

- central heating substations vs. ITPs
- capacity to regulate at user level
- norms applied rather than metered usage
- end user capacity to impact on EE measures



# General Investment Capacity of Operators

- Lack of resources to invest
- Low level of borrowing capacity
- Lack of risk vs. reward incentives
- Lack of regulatory motivating factors



# Contact details

## François Gaudet

Senior Banker, Municipal and Environmental Infrastructure

Tel: +44 20 7338 6878

Fax: +44 20 7338 6964

[gaudetf@ebrd.com](mailto:gaudetf@ebrd.com)

One Exchange Square

London EC2A 2JN

United Kingdom



**about the ebrd**

The European Bank for Reconstruction and Development was established in 1991 when communism was crumbling in central and eastern Europe and ex-soviet countries needed support to nurture a new private sector in a democratic environment. Today the EBRD uses the tools of investment to help build market economies and democracies in 27 countries from central Europe to central Asia.

The EBRD is the largest single investor in the region and mobilises significant foreign direct investment beyond its own financing. It is owned by 60 countries and two intergovernmental institutions. But despite its public sector shareholders, it invests mainly in private enterprises, usually together with commercial partners.

It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The Bank uses its close relationship with governments in the region to promote policies that will bolster the business environment.

The mandate of the EBRD stipulates that it must only work in countries that are committed to democratic principles. Respect for the environment is part of the strong corporate governance attached to all EBRD investments.

**Every EBRD investment must**

- Help move a country closer to a full market economy: the transition impact
- Take risk that supports private investors and does not crowd them out
- Apply sound banking principles

**Through its investments, the EBRD promotes**

- Structural and sectoral reforms
- Competition, privatisation and entrepreneurship
- Stronger financial institutions and legal systems
- Infrastructure development needed to support the private sector
- Adoption of strong corporate governance, including environmental sensitivity

**Functioning as a catalyst of change, the EBRD**

- Promotes co-financing and foreign direct investment
- Mobilises domestic capital
- Provides technical assistance

