

# EBRD Sustainable Energy Financing for Western Balkans

Miroslav Maly, Principal Manager  
Energy Efficiency and Climate Change team

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# EBRD Sustainable Energy Initiative (SEI) overview

The EBRD has made sustainable energy a key priority for investments in its countries of operation.

## Results of SEI Phase 1 (2006-2008) :

- SEI investments reached €2.66 billion exceeding original three-year target by 77% through 166 projects (total project value €14 billion).
- SEI activity increased from 15% of total EBRD investment in 2006 to 20% in 2008

## SEI Phase 2 (2009-2011):

- Phase 2 objectives: SEI financing target range of €3 to 5 billion for total project value of €9 to 15 billion
- Results as of end August 2009; SEI investments worth €834 million through 46 projects (total project value €3.35 billion).

**Development of stand-alone sustainable energy (SE) projects has proven difficult with the existing instruments for a number of reasons. Among them are:**

- Lack of clear policies supporting the implementation of SE projects;
- Lack of support mechanisms for SE projects;
- Limited awareness of SE potential.

**To promote SE projects in the region and to address major barriers, EBRD provides technical assistance to individual countries**



## SEI RESULTS PHASE 1 & 2 BY SECTORS (2006-2009)

SEI CATEGORY	SEI PHASE 1 2006-2008		SEI PHASE 2 2009		OVERALL SEI 2006-2009	
	SIGNED (EUR M)	N. OF OPS	SIGNED (EUR M)	N. OF OPS	SIGNED (EUR M)	N. OF OPS
INDUSTRIAL ENERGY EFFICIENCY	679	56	317	26	996	82
SUSTAINABLE ENERGY CREDIT LINES	362	31	135	9	497	40
CLEANER ENERGY PRODUCTION	1010	19	577	11	1,587	30
RENEWABLE ENERGY	227	14	125	5	352	19
MUNICIPAL INFRASTRUCTURE ENERGY EFFICIENCY	388	46	163	20	551	66
<b>TOTAL</b>	<b>2666</b>	<b>166</b>	<b>1317</b>	<b>71</b>	<b>3,983</b>	<b>237</b>



# EBRD Western Balkans Sustainable Energy Financing Facilities

- Facilities provide the EBRD with a range of financial instruments to meet the growing needs of local enterprises for investments in sustainable energy in Western Balkans.
- Three pillars:
  - EU/EBRD Western Balkans Sustainable Energy Credit Line
  - EBRD Sustainable Energy Direct Financing Facility
  - EBRD Institutional Capacity Building

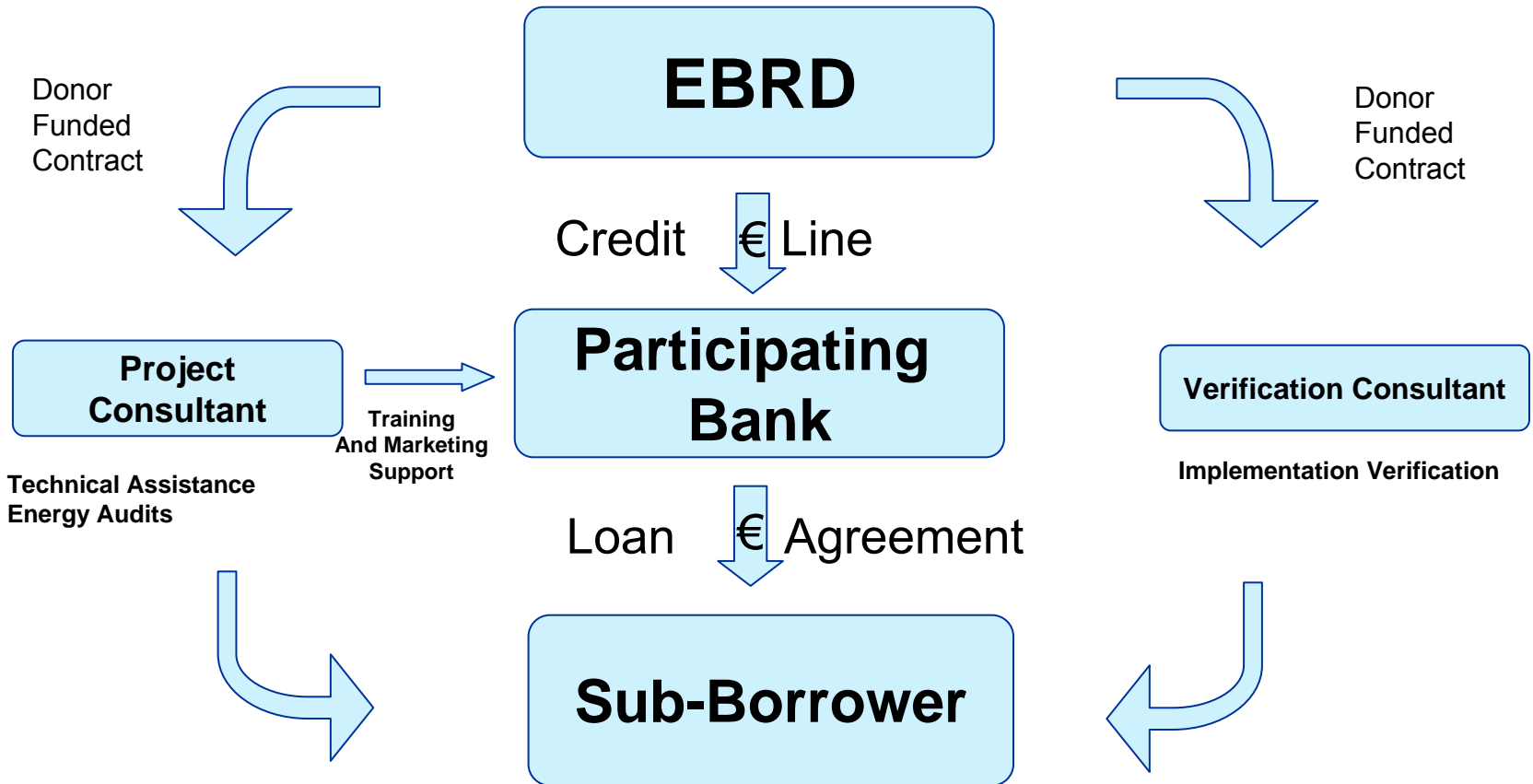


# EU/EBRD Western Balkans Sustainable Energy Credit Line

- A credit line facility operated by the EBRD on behalf of the EC through partner banks for on-lending to investments in sustainable energy (focus on industrial energy efficiency, renewable energy and commercial buildings).
- Donor funded technical assistance provided by EBRD Project Consultant to Sub-borrowers and Participating Banks
- Incentive payments paid to Participating Banks and incentive payment paid to Sub-borrowers upon successful implementation of eligible investments
- €60 million Facility was successfully launched in Serbia and Bosnia & Herzegovina in spring 2009, extension to other countries is under preparation
- Successful track record in other countries in the region - Bulgaria (€155 million in industry & €50 million in residential sector)
- Similar Credit Lines are currently at the implementation stage in Ukraine (industry), Georgia (industry and residential), Romania (industry), Slovakia (industry and housing associations), Kazakhstan (industry), Russia (industry), Hungary (municipalities)



# Structure of the facility



*\* Incentive payments paid upon completion of investments to Participating Banks and Sub-borrowers*



# Eligibility Criteria

- **For Sub-borrowers**

- Privately owned industrial enterprises, companies operating commercial buildings
- Subject to credit approval in line with the Participating Bank's credit process
- No gambling, real estate, banking, insurance or the manufacture and trade in arms etc.

- **For Investments (Sub-projects)**

- Capital investments in energy efficiency and/or renewable energy projects in industry and commercial buildings
- Capital investment in stand-alone renewable energy projects
- No pilot projects, only matured technology to minimise technology risk
- No working capital finance
- Eligible type of projects (energy savings min 20%, eligible renewable energy technologies, positive NPV)
- Size of loan up to €2 million (higher level can be negotiated case by case)
- Compliance with environment, health and safety standards

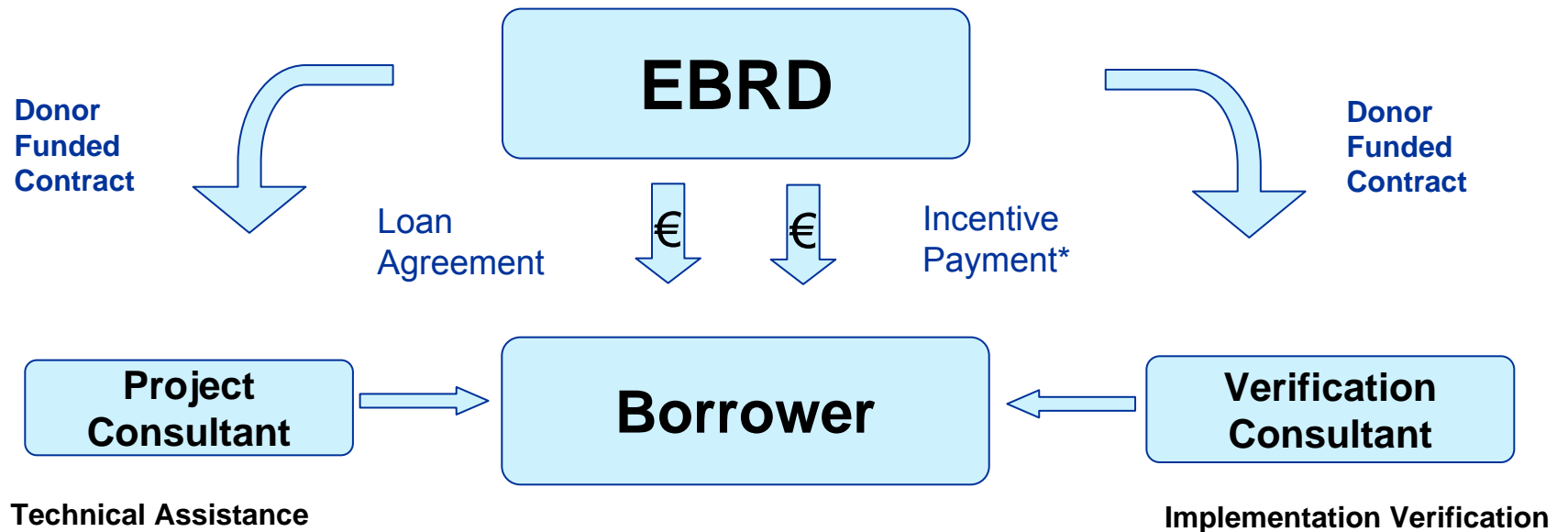


# EBRD Sustainable Energy Direct Financing Facility

- A direct financing facility operated by the EBRD for (medium) renewable energy and (industrial) energy efficiency projects
- In the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro and Serbia, including Kosovo, under UNSCR 1244)
- Endowed with up to EUR 50 million of loan funds + up to EUR 13 million in TC and incentive payment funds, expected number of projects: 15-25
- Senior (secured) loans and project financing arrangements
- From EUR 1 million to EUR 6 million EBRD financing
- Average (expected) maturity of 6-8 years for energy efficiency and 10-12 years for renewable energy projects, with appropriate grace periods and flexible repayment schedules
- Supported by TC funds for project identification and preparation as well as by incentive payments based on the estimated CO<sub>2</sub> emission reductions generated by each eligible project



# Structure of the WeBSEDFF



*\* Incentive payments paid upon completion of investments to Borrowers*

# EBRD Institutional Capacity Building

## The objectives are to:

- Coordinate and join efforts (where practical) with other ongoing supporting activities in the area of SE in the Western Balkans, such as regulatory and institutional development, RES support mechanisms, etc;
- Propose new and/or refine existing mechanisms, procedures and standards in the area of SE in selected countries in the Western Balkans, in the areas of:
  - RES support mechanisms;
  - Renewable energy statistics
  - Energy efficiency support mechanisms.
- Support local governments and other relevant institutions in incorporating and implementing SE development measures into energy market design and regulatory development; and
- Inform and gain support of key stakeholders within and outside governments in selected Western Balkans countries.



# EBRD Institutional Capacity Building for Western Balkans – Policy Dialogue

## Eligible countries

- **Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro and Serbia including Kosovo** - based on agreement with relevant institutions

## Ongoing assignments

- **Montenegro** - Review of Feed In Tariffs, affordability of national RES target, Limits/ Caps on capacity for RES technologies
- **Serbia** - Review of the proposed amendments to Energy Law, Support in transposition of EU RES Directive 2009/28/EC, affordability of RES targets, Support to RES for heating/cooling
- **Croatia** - Large-Scale Wind Energy Integration in Croatian Power System

## Assignments under discussion with recipient countries:

- Support to energy regulators in Bosnia & Herzegovina
- Support to Albanian Government in development of feed-in tariffs



# Lessons Learned and Impact of Financial Crises

- The Western Balkans Region has been heavily hit by the **financial crisis**, some countries more, some less
- At the **firm level**, many enterprises have had to cut back on production and lay off workers. Others have resorted to wage cuts or freezes in an effort to contain costs. Most of them had to look for short-term working capital to survive instead making longer-term energy efficiency investments to improve their future market position
- **Local banks** (mostly subsidiaries of large European banks) changed their lending policy completely and became very conservative. Preference given to short-term lending and lending to their best clients. Situation is slowly improving.
- The market for smaller to medium sized **renewable energy** investments is still pre-matured in most of the WB countries due to:
  - Not completed legal and institutional framework
  - Lengthy permitting process
  - Not strong project sponsors and/or willingness of local banks to lend to RES projects as risky projects



## Next steps

- Extension of the Credit Line Facility to new banks and countries in Western Balkans
- Continuation of the Direct Lending Facility to cover the whole WB region
- Extension of the Institutional Capacity Building Assistance to other countries in the region
- Start of EU/EBRD Sustainable Energy Financing Facility focused on Croatia (not yet covered by the Credit Line Facility)
- Participation in Green for Growth - Fund for Southeast Europe SICAV-SIF



# How to contact us

- Head of Energy Efficiency and Climate Change Team  
Mr. Terrence McCallion  
tel.: +44 20 7338 7478, e-mail: [mccallit@ebrd.com](mailto:mccallit@ebrd.com)
- Operational Leader of the Technical Assistance  
Miroslav Maly  
Tel: +44 20 7338 7382, e-mail: [malym@ebrd.com](mailto:malym@ebrd.com)
- Policy Expert  
Andreas Biermann  
Tel: +44 20 7338 7358, e-mail: [biermana@ebrd.com](mailto:biermana@ebrd.com)
- Regional Energy Expert  
Ian Brown  
Tel: ++381 11 212 0529, e-mail: [browni@ebrd.com](mailto:browni@ebrd.com)

