Financing large and small scale renewable energy projects – an EBRD perspective

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In each of the last six years, annual power & energy investments exceeded EUR 1 bln and at least 20% of those funds went towards renewable energy generation projects.

In 2015 the EBRD signed EUR 591 mln of financing for 13 renewables deals with a total gross project value of EUR 2.2 bln.
Power and Energy –
Financing by sub-sector

PEU’s exposure to renewables is 29% of its portfolio


- Electric Power Generation: 40%
- Electric Power Transmission: 6%
- Electric Power Distribution: 11%
- Renewable Power: 29%
- Natural Gas Distribution: 1%
- Large Hydro: 13%

Renewables - Exposure by Technology

- Wind: 58%
- Solar: 7%
- Geothermal: 11%
- Various: 9%
- Small Hydro: 9%
- Biomass: 6%
- Various: 9%

The average renewables EBRD finance amount is EUR 28m, compared to EUR 59m for non-renewable PEU.

Updated as of 31 December, 2015.
Source: EBRD data
Financing renewable energy projects

Regulatory frameworks should include:

- Clarity and certainty, track record: early projects may require more support either from authorities or sponsor, prefer former

Lessons learned:

- Minimizing the chances of retroactive tariff reduction via e.g. limit on total renewable generation capacity eligible for FiT.

- Change in Law / Change in Tax – lenders prefer state to take this risk.
Power and Energy financing guidelines

- The operation is located in EBRD countries of operation
- We are additional, i.e. not “crowding out” private money
- Integrity of sponsor; public concessions
- Small size (<€5m for EBRD) is difficult directly from EBRD but special facilities are available mainly for various regions e.g. Western Balkans, Cyprus, Ukraine
- Project must have positive EIRR and ENPV.
- Compliance with EU environmental standards
- Maturities between 10 to 15 years
- Flexibility on commitment amounts, but up to 35% for Project Financing, or up to 50% in framework programs
- Market pricing and security structures
- Local currency, where possible
- Syndication to commercial banks where possible or other IFIs
- Equity investments where appropriate
Large scale renewable energy projects

- EBRD finances not more than 35% of total project costs.
- Equity on the level of 30% of the total funding in current environment; equity goes in first, before bank funding.
- Therefore, another bank / IFI is needed to fully fund the project cost balance of 35%.
- Mandate letter for cost recovery
- External consultancy engaged by or on behalf of the bank: environmental, technical, legal due diligence, resource assessment.
- Reasonable contracting arrangements, reputable EPC and O&M contractors as well as certified equipment manufacturer.
- Permits and licenses as CP to first disbursement; lenders’ monitor
- Possible: Cash sweep, dividend lock up, hedging, sponsor support
Small scale renewable energy projects

- Small projects are financed under number of EBRD’s frameworks including WeBSEFDFF (Western Balkans) and USELF (Ukraine).
- Simplified approval process: delegated from Board up to EUR 10mln
- Credit lines to banks who then use the funds for project finance on micro projects are also a possibility.
- EBRD is able to channel grant funds to cover part of the development costs – due diligence, legal, environmental etc.
- Part of due diligence can be done in-house by EBRD’s teams of specialists, which include engineers.
- Additional debt funding available via EBRD from other sources (CTF, other co-financing).
- Possible availability of Soft Loan or Incentive Payments
- Structuring similar to large projects
Example WeBSEDF in the Western Balkans (Similar to USELF in Ukraine)

- Under the WeBSEDF, EBRD financed 15 small scale renewable projects in 6 different Countries for a total loan amount of EUR 63.9m.

- In total 60 MW of generation capacity, which lead to emission reduction of approximately 442,000 tons of CO₂ per annum.

- Project financing or senior loans are in the range from EUR 2m to EUR 6m with average (expected) maturity of 12-15 years.

- Eligible Renewable Energy projects (predominantly greenfield projects of up to 10 MWe) – run-of-river hydro power plants, wind mills, solar PV plants, biomass-fired units, geothermal, biogas, etc.

- Availability of Incentive payment upon technical completion up to 10% of the loan principal.

- TC Supported by TC funds for project identification and preparation

- Additional info available at http://www.websedff.com
Thank you for your attention

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