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EBRD's activities and financial support for energy efficiency in buildings in Ukraine

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Development

A residential EE facility for Ukraine (provisional figures)



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Scale	EUR100m	
Expected outcomes	<p>≈ 20,000 households (50,000 people) 'insulated' from rising energy costs and experiencing higher levels of comfort</p> <ul style="list-style-type: none"> • Potential to begin work on tariff and HOA reforms 	
Support for rapid deployment	Financial support (local currency availability & affordability concerns)	EUR 30m
	Technical cooperation to implement the programme	EUR 3.5m
	Technical cooperation for policy dialogue	EUR 1.5m
	TOTAL	EUR 35m
Timeframe	III Q 2015 – December 2017	

Challenges and mitigants



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Challenges	What we do to address challenges
<ul style="list-style-type: none">• 'Cost' of local currency finance	Currency risk mitigation instrument
<ul style="list-style-type: none">• Lack of capacity and willingness of local financial institutions	Build strong capacity building component into facility technical assistance program
<ul style="list-style-type: none">• Lack of public awareness of energy efficiency priorities	Policy dialogue assignment already covers comprehensive UA website on residential energy efficiency
<ul style="list-style-type: none">• Ensure access to energy efficiency finance for low income households	Build this into policy dialogue assignment
<ul style="list-style-type: none">• Low capacity of suppliers and installers.	Build strong capacity building component into facility technical assistance program
<ul style="list-style-type: none">• Legislative barriers to lending to HOAs	Policy dialogue assignment already covers a component of this. This work is also coordinated closely with other donors/IFIs working on residential energy efficiency.

Residential sector - track record



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Country	EBRD funds	Results to date
Slovak Republic	EUR 91.4 million	598 buildings
Bulgaria	EUR 72.8 million	47,625 measures, 68 buildings
Georgia	EUR 1 million	726 measures
Russia	EUR 8.9 million	1,310 measures
Moldova	EUR 1.9 million	432 measures, 197 buildings
Kyrgyz Republic	EUR 0.9 million	124 measures
Kosovo	EUR 0.4 million	176 measures
TOTAL	EUR 177.3 million	Approx. 73,000 households

- The EBRD is targeting the residential sector via 22 financial institutions in 7 countries
- In addition, a EUR 215 million residential facility for Turkey, supported by Clean Technology Fund, has been approved

Completed TA: Technical assistance for improving the energy performance of residential buildings to assist the government of Ukraine to prepare for introduction of market instruments for energy efficiency measures in residential buildings

- Web-based information platform on residential energy efficiency.
<http://www.teplydim.com.ua>
- Market assessment of the residential sector: legal, regulatory, institutional, technical and financial considerations (updated mid-2013)
- Assistance with development of building energy efficiency regulations and related components – three new standards adopted

Current assignment: Ukraine - Technical assistance to support investment in energy efficiency in residential buildings,
with the goals of:

- Task 1: Support for residential buildings energy efficiency regulation and policy development
→ Further implementation of the European Performance of Buildings Directive (EPDB)
- Task 2: Capacity building to lending for energy efficiency in the residential sector
- Task 3: Supporting effective financial instruments for residential energy efficiency investments

Problem – Public and private sector assets (eg buildings) are often characterised by underinvestment. This causes energy inefficiencies.

Opportunity – inefficiencies give rise to energy (cost) saving potentials

Constraint to opportunity – asset owners usually focus on their core business activities but lack

- knowledge needed for designing energy efficiency (EE) investments and
- funds for financing EE investments

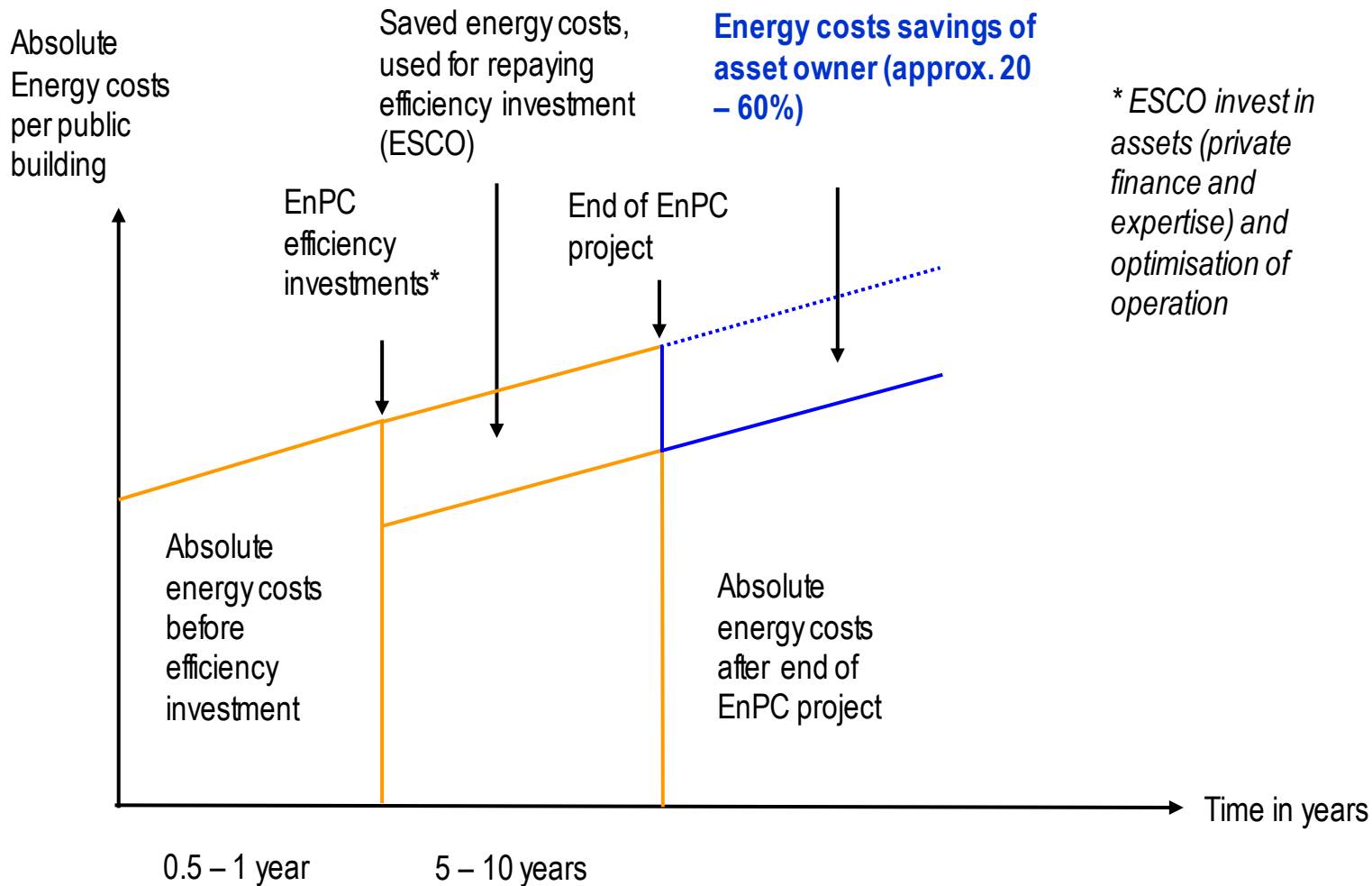
Solution – ESCO projects solve this constraint by offering:

- **private sector expertise** for project design, implementation and operation and accept the related performance risk
- selection of the **most economic energy efficiency solution**
- **commercial financing** (=off-balance sheet finance)

Financing Energy Efficiency – No new budget funds needed for Energy Performance Contracting (EnPC)



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- 2007 – Bulgaria: €7 mln credit to Bulgarian ESCO Fund
- 2008 on-going – Russia: US\$9 mln GEF grant for public sector ESCO programme
- 2011 – Romania: €10 mln credit to local ESCO
- 2011 on-going – Ukraine: ESCO project with city of Dnipropetrovsk with first tenders in 2H/2013 (€20 mln)
- 2011 on-going – Poland: developing with Polish Energy Agency creation of dedicated ESCO financing mechanism in 2012 (EBRD €15 mln)
- 2012 – Bulgaria: €10 mln credit to Bulgarian ESCO Fund
- 2012 – Russia: €20 mln credit to industrial ESCO Fenice
- 2012 onwards – Baltic ESCO Fund with EBRD financing and technical support
- 2012 onwards – Western Balkan, Theme 1: €5 mln EU grant for technical assistance programme for ESCO market development
- 2013 – SEMED region: ESCO water company finance

EBRD Support: Pilot Project in Dnipropetrovsk and on National level in Ukraine



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Ongoing (since 2008) support in Dnipropetrovsk and planned national support:

- preparation of contract models, financial models, risk assessment
- identification, preparation, tender, implementation, monitoring of savings
- inform ESCOs about ESCO/EnPC mechanism

Technical Assistance



Policy Dialogue

Ongoing (since 2012) support to legislator:

- Support legislator to improve legal framework for ESCO projects
- Approval of contract templates and clear guidelines

Projects & Investments

Providing finance for EnPC investments:

- Creation of dedicated long term off-balance sheet (off-debt) financing product

- Pilot project in Dnipropetrovsk establishes commercial concept of Energy Performance Contracting (EnPC) and demonstrates the related financing
- ESCO Budget Investment Programme approved by City Council: (>30% savings; >t CO2 12,000 per year)
 - 71 buildings identified and 4 EnPC tenders prepared
 - Commercially attractive payback periods <7 years
 - First tendering close to completing
- ESCO tools and documentation prepared and can be used for general public use in Ukraine
- Additional buildings pre-selected for further EnPC projects
- TC of EUR 558,000 financed by EBRD SSF

Two interlinked laws have been prepared with financial support from SIDA in close cooperation with Ukrainian authorities and other donors and passed the first reading in Verkhovna Rada of Ukraine:

- Law of Ukraine 1313 “On the Introduction of New Investment Opportunities, Guaranteeing the Rights and Legal Interests of Business Entities for Large-Scale Energy Modernization”, and
- Law of Ukraine 1409 “On Introduction of the Changes to the Budget Code of Ukraine Regarding New Investment Opportunities, Guaranteeing the Rights and Legal Interests of Business Entities for Large-Scale Energy Modernization”.

The laws introduce the notion, legal definition, and scope of the EnPC mechanism and contracts; mechanism that allow savings resulting from EnPC implementation to be used to pay EnPC contracts, at the same time avoiding EnPC obligations being considered public debts; and set out designated procurement procedures for the EnPC contracts



THANK YOU

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