

Financing of Energy Efficiency Projects in Russia

"SMART ENERGY"
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Northern Europe's International Financial Institution

- Nordic and Baltic countries as owners
- Started activities in 1976, headquarters in Helsinki
- AAA/Aaa credit rating
- EUR 13.5 bill. loans provided in member countries and selected focus countries incl. Russia







Long-term financing

- Co-financing normally up to 50% of the total project cost;
- Close cooperation with other international financial institutions as well as commercial banks, export credit institutions and development assistance organisations;
- Long-term lending instruments on commercial terms:
 - Sovereign loans with state risk (15-25 years)
 - Subsovereign loans directly to municipalities (10-20 years)
 - Corporate loans (5-15 years)
 - Limited recourse financing including PPP-financing (5-15 years)
 - SME financing through financial intermediaries (5-12 years)
 - Grace period up to 5 years
- Support for project structuring, institutional strenghthening and technical assistance.



NIB Sector Priorities



Environment

- Baltic Sea Action Plan BSAP 2010-2020; BSAP Fund EUR 10 mill.
- Northern Dimension Environmental Partnership, NDEP

Energy

- Energy efficiency
- Generation, Transmission & Distribution
- NDEP

Transport and Logistics

- Northern Dimension Partnership in Transport and Logistics
- Innovation, Research & Development





NIB in Russia

- Northwest Russia is a natural focus area for Energy Efficiency and Environmental projects for NIB
- Agreement with the Government of the Russian Federation for Financial Co-operation since 1997. Ratified by the Russian Duma
- "No-objection" by the Ministry of Finance of the Russian Federation for all loans from NIB to Russian borrowers



Energy Efficiency



- Buildings (generally via intermediaries)
 - pilot energy efficiency projects
 - energy savings investments in existing buildings.
- Co-generation and district heating/coolingImproving efficiency of production methods;
- Improved energy conversion; and
- Energy efficient products (for example Street Lighting).





NIB loan may be provided to

- Large companies at the federal and regional level;
- Companies at the municipal level;
- Banks.





Northern Dimension Environmental Partnership, NDEP

- Co-operation between partner governments, the EU Commission and IFIs which seeks to tackle some of the most pressing environmental problems in the Baltic and Barents Seas region by combining loans, grants and local budget financing for implementation of its priority projects
- NDEP Support Fund of EUR 159 million for non-nuclear window
- 23 Environmental projects have to date been approved with grant financing of EUR 117 mill. and total project cost > EUR 3.3 bill.
- A majority of the projects have been within waste water treatment, now focus is increasingly on energy efficiency.
- NIB is chairing the SG and we are seeking to establish eligibility criteria for NDEP energy efficiency projects
- More than EUR 40 mill. grant funds still available when co-financing with IFIs, and replenishment process on-going



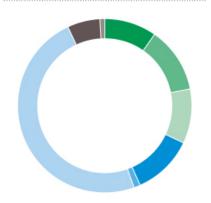


NDEP continued

- Challenges: Low credit worthiness of district heating companies, lack of sector organisation and the housing associations have no legal rights to force the residents to make investments.
- Losses in the energy systems are typically double what they should be.
- Focus on investments upstream (boilers, networks belong to district heating companies), midstream (transmission and substations regulating at building level) and downstream (flat level through insulation, thermostats and metering).
- Savings potential: 20% upstream and midstream, and 20-25% downstream



Verksamhetsland Distribution by country



- Estland Estonia 9,8 %
- Lettland Latvia 12,1 %
- Litauen Lithuania 10,3 %
- Polen Poland 11,3 %
- Slovakien / Tjeckien
 Slovakia / Czech Rep. 1,1 %
- Ryssland Russia 48,7 %
- Ukraina Ukraine 6,8 %
- Vitryssland Belarus 0,1 %

The Baltics ~160 projects Main sectors:

Main sectors: water, cleaner production, energy, agriculture

Ukraine

~85 projects Main sectors: energy, cleaner production, agriculture

Russia

~150 projects
Main sectors: energy,
water, cleaner
production





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