Financing the Iron and Steel Sustainable Transformation

Gianpiero Nacci
EBRD - Energy efficiency and Climate Change

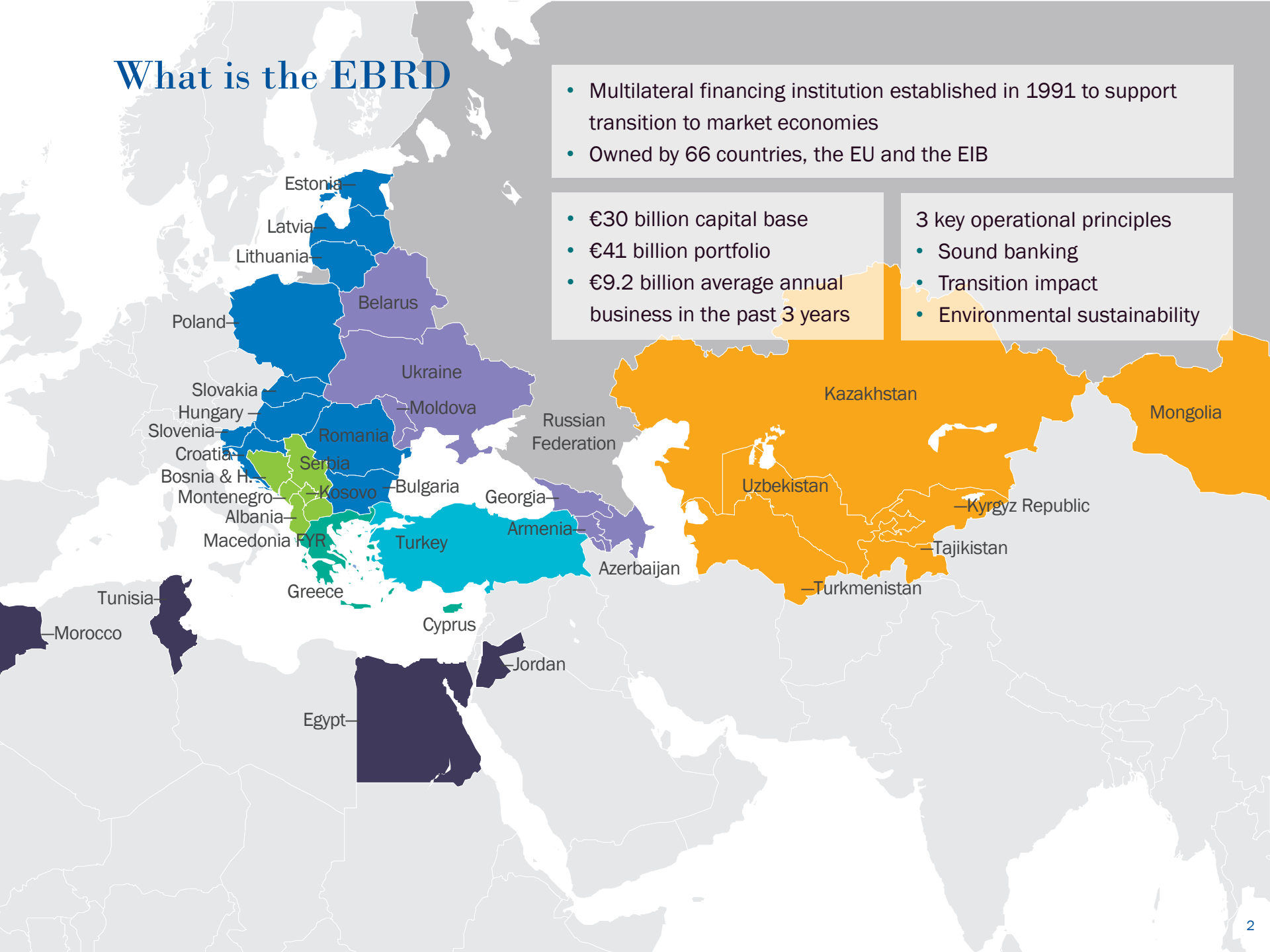
European Bank
for Reconstruction and Development

What is the EBRD

- Multilateral financing institution established in 1991 to support transition to market economies
- Owned by 66 countries, the EU and the EIB

- €30 billion capital base
- €41 billion portfolio
- €9.2 billion average annual business in the past 3 years

3 key operational principles
- Sound banking
- Transition impact
- Environmental sustainability



The EBRD Mandate and the Green Economy

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How projects are assessed at the EBRD

Credit and financial risks

Environmental and social risks
Integrity analysis
Civil society engagement

Market Transition Impact

Green Economy Transition impact

The EBRD Region and Climate Change

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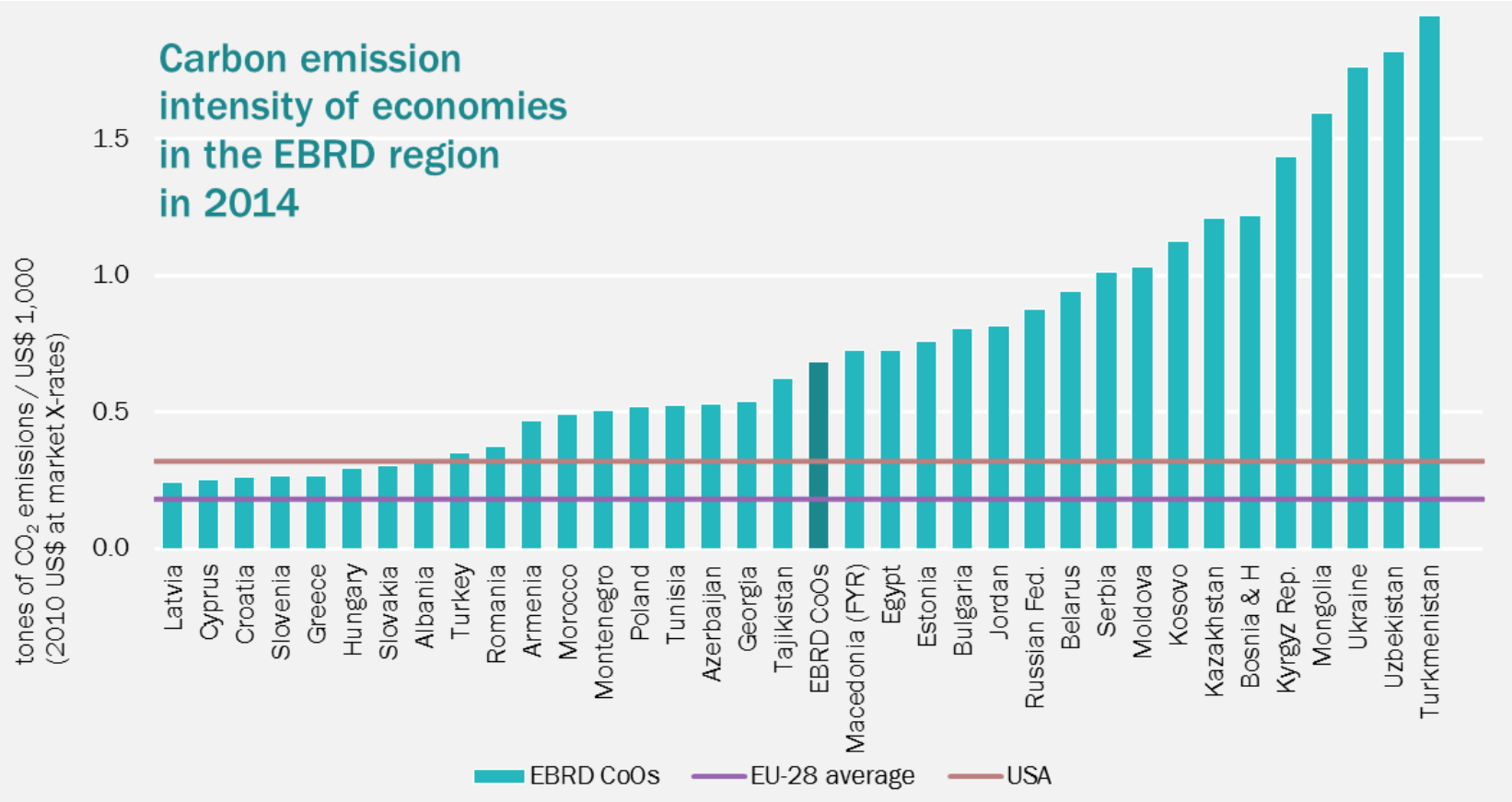

2014 energy-use related CO_2 emissions per unit of GDP (expressed as 2010 US$, at market exchange rates). Source: IEA

Mainstreaming Green Financing: the EBRD Business Model

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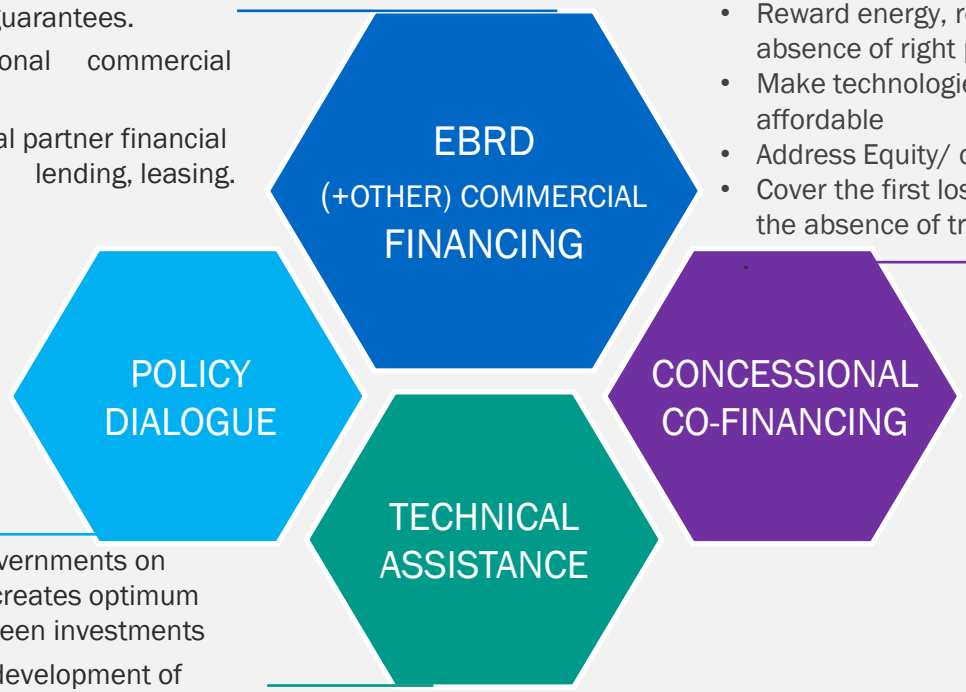
- Directly from EBRD: loans, equity investments or guarantees.
- Mobilising additional commercial sources.
- Indirectly via local partner financial institutions: lending, leasing.



Concessional finance and grants address barriers regarding pricing and credit risk:

- Reward energy, resource and CO_2 savings in the absence of right pricing of CO_2, water and waste
- Make technologies with high (upfront) costs affordable
- Address Equity/ capital gaps
- Cover the first loss to address first-mover risk in the absence of track record in the sector

- Working with governments on legislation that creates optimum conditions for green investments
- Supporting the development of legal instruments and best practice guidelines (e.g. contract templates, tenders).

- Resource efficiency audits
- Capacity building for local financial institutions (staff training, marketing, green retail lending products)
- Climate vulnerability assessment

- Project structuring support (e.g. tendering, investment guidelines)
- Support to adopt operational or CSR-type standards (energy management, buildings certification, reporting).

The EBRD's Track Record in Green Economy Transition

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- The EBRD has been engaged in green economy finance since its establishment
- In 2006, the EBRD launched the Sustainable Energy Initiative to address the twin challenges of energy efficiency and climate change
- The EBRD was the first multilateral development bank (MDB) with a dedicated pool of technical experts in-house
- In 2009, the EBRD became the first MDB to set itself a carbon emissions target
- In mid-2014, the EBRD has already exceeded the three year (2012-14) target under the UN's Sustainable Energy for All initiative

The EBRD's engagement in the context of its countries of operations:

- high share of heavy industry
- ageing infrastructure
- high energy intensity
- a lack of market-based pricing for energy

Mainstreaming green financing
Results in 2006 – H1 2017

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FINANCED

1,300+

Green projects and credit lines

1,000+ directly financed projects

290 credit lines to local FIs

SIGNED

€24 billion

of green financing

36% of total business

REDUCED

87 million

tonnes of CO_2/year

200 million m^3/y

since 2013

Green Financing in the Steel Sector

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EE Financing in Steel (last 10 yrs)

- 30 projects
- EBRD finance: > EUR 1.3 billion
- Tot Project Value: > EUR 4 billion
- GHG emission savings: > 8 million tonCO2/year
- Energy Savings: > 3 million toe

Financing the Transformation: Building on the Similarities between Energy and Industry Sectors…

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- New value chains & business models: electricity, mobility, gas, oil…
- Low-carbon energy
- The role of R&DI (initially government induced), concessional finance, policies
- Gradual (step-by-step) decarbonisation

…and Industry-Specific Features

- Scale: materials, energy demand, costs, market complexity
- Circularity: the relevance of global frameworks
- Industry collaboration & integration (largely absent to this day)
- Breakthrough technology
- New industrial landscape (new industry clusters)

Pre-requisites…

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- The role of concessional finance and innovation finance: e.g., demonstration of first of kind, ‘value of death’
- CCS ??
- Global circular supply chains (e.g., global recycling, innovative logistic models)
- Different energy vectors: electricity, hydrogen, gas (increasingly ’green’ gas)
- Markets for low-carbon products (carbon pricing and carbon price pass through)

..and Challenges

- Risk allocation / Finance
- Industrial scale up of materials and energy (electricity, gas, hydrogen)
- Consistency of investment with long-term objectives and market trends
- Residual GHG emissions: total decarbonisation??
- Acceptability: location of industrial clusters (social cohesion)
- Industrial collaboration: partnerships around new value chains

Innovative Green Finance: glass recycling in Turkey

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GLASS RECYCLING IN TURKEY

The approximate share of glass recycled in Turkey was estimated at 20%, compared to 70% in Western Europe.

The small companies active in the initial collection, sorting and crushing phases of the waste glass, often lack the corporate and credit strength to acquire necessary advanced equipment. This affects their output quality and business efficiency.

INNOVATIVE SOLUTION

Building on the long-term cooperation with one of the largest glass manufacturing groups in Turkey, the EBRD is supporting an integrated programme aiming to upgrade technology along the group's glass recycling chain.

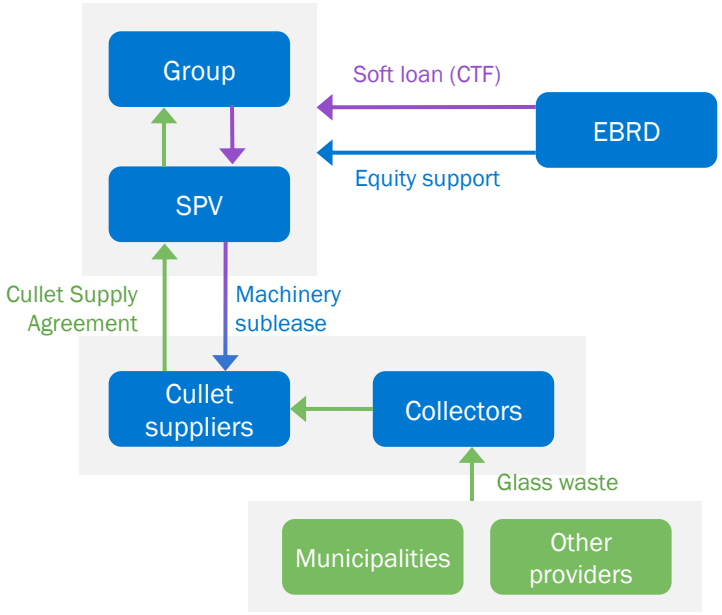
The EBRD is financing a subsidiary (SPV) setup by the group to lease collection and processing machinery to smaller, local waste glass collection companies. In exchange, the companies enter into supply contracts with the SPV providing high-quality glass cullets.

This setup allows the collectors to access long-term financing otherwise not available to them, to expand and optimise their recycling activities.

FINANCING PROGRAMME

CLIMATE INVESTMENT FUNDS

Soft loan to the group used to purchase the machinery leased by the SPV to suppliers, using resources from the Clean Technology Fund	€ 2.0 million
EBRD equity investment into SPV	€ 1.6 million



Innovative Green Finance: Low-Carbon Pathway for Egypt's cement industry

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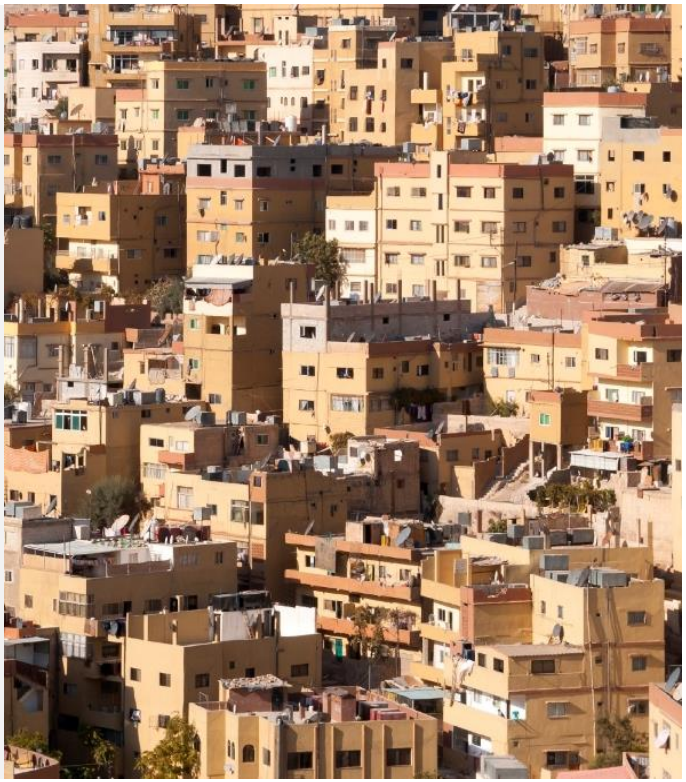
- The EBRD engaged with relevant ministries and the national cement industry association to define priority upgrades and targets for a technology upgradation roadmap.
- In 2016 the Government announced targets of 15% usage of alternative fuels and the reduction of clinker content to less than 80% at the level of the industry by 2030.

Project example

- Cooperation with the Egypt subsidiary of a large international cement group owning a cement plant which accounts for 10% of the installed production capacity in the country.
- EBRD signed a €50 million loan in 2015 to support the upgradation of the plant. €15 million of the loan is targeting "green" measures:
  - Introduction of alternative fuels (AF) derived from municipal waste into the new fuel mix used to fire the plant's kilns
  - Installation of dust filters to reduce dust emissions to the levels required by the EU Industrial Emissions Directive.
- 47,000 tonnes of CO_2 estimated annual emission reductions. The project will drive the development of the local AF supply market, including through suppliers' training workshops.



THANK YOU

For more information:
http://www.ebrd.com/what-we-do/get.html

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