

# Financing sustainable energy and climate investments

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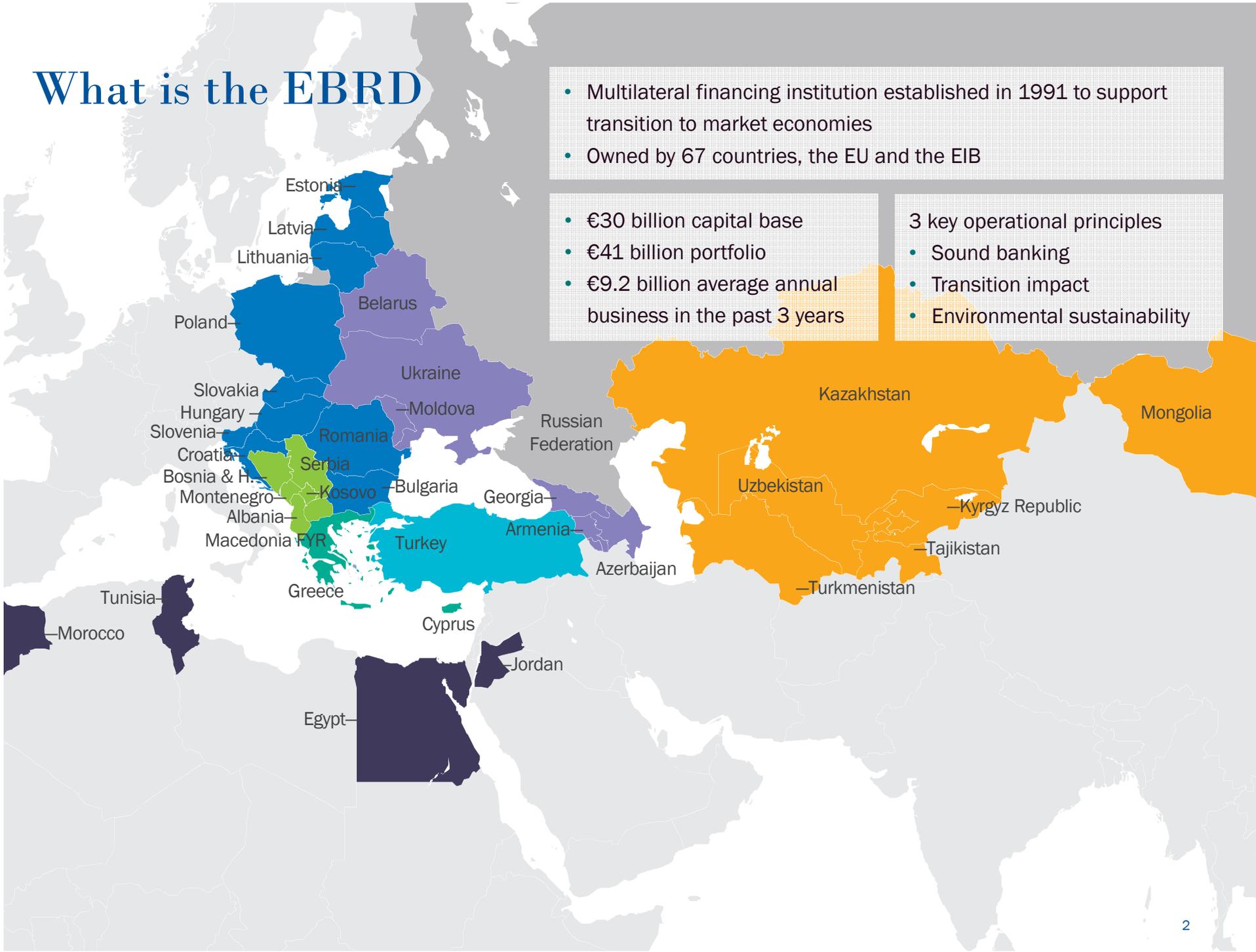
**European Bank**  
for Reconstruction and Development

# What is the EBRD

- Multilateral financing institution established in 1991 to support transition to market economies
- Owned by 67 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



# EBRD

## financing instruments

### Loans

Senior,  
subordinated,  
convertible

Long term (up to  
10y or more) or  
short term revolving

Floating/Fixed rates

Choice of  
currencies  
(€, US\$, EGP)

### Equity

Common stock or preferred

Minority position only (up to 35%)

Mezzanine debt

### Technical Cooperation

EBRD has a strong track record to mobilize grant monies to support technical assistance to its projects

### Other

Guarantees, currency swaps, trade facilitation programme etc.

# EBRD Product Flexibility tailored to project needs



## Exact terms depend on specific needs and market conditions

	Debt (€1-300m)	Equity (€1-100m)	Guarantees
Typical size	€10mln +	€5-7mln + (less in less advanced countries)	Typically €50k – €50mln
Term	5-7 years (up to 10-15 years in case of infrastructure investments)	Typically from 3-7 years	1.5-2 (up to 3) years
Currency	Major foreign currencies as well as local currency		
Approach	Finance up to 35% of the project (60% with syndication) for the company	Minority stake	Mainly through Trade Facilitation Programme
Structures	<ul style="list-style-type: none"> <li>• Senior, subordinated or convertible bonds</li> <li>• Project finance</li> <li>• Floating or fixed rates</li> </ul>	<ul style="list-style-type: none"> <li>• Risk equity</li> <li>• Portage equity finance</li> </ul>	Trade finance guarantees & cash advances
Applications	<ul style="list-style-type: none"> <li>• Greenfield/Brownfield, JVs,</li> <li>• Capex for expansion/modernization, including resource efficiency improvements</li> <li>• Ownership change: acquisition, consolidation, privatisation</li> <li>• PPPs, etc.</li> <li>• Working capital</li> </ul>		Support to issuing banks in countries of operations

# What the EBRD can and cannot finance

## What we finance

Projects may be considered for EBRD assistance if they:

- ✓ are located in an country where the EBRD works (but flexible)
- ✓ are bankable projects
- ✓ Meet satisfactory integrity & operational standards
- ✓ would benefit the local economy
- ✓ satisfy the EBRDs environmental standards as well as those of the host country

And each project must achieve two or more of our six transition qualities: competitive; inclusive; well-governed; resilient; integrated and green

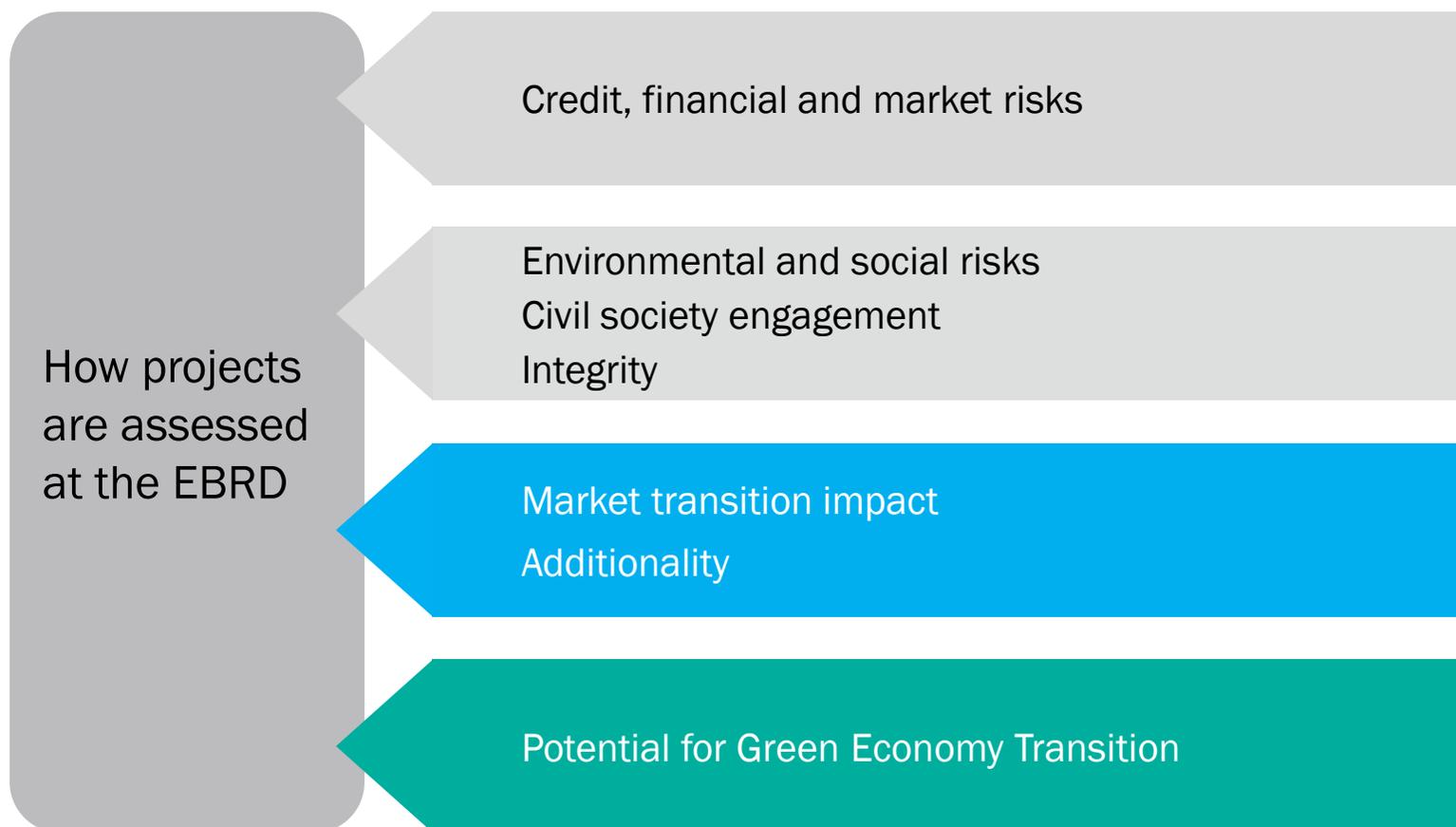


- ✗ Defence-related activities
- ✗ Tobacco industry
- ✗ Substances banned by international law
- ✗ Gambling facilities
- ✗ Environmental harmful projects (or if adverse impact cannot be adequately mitigated)
- ✗ Nuclear energy

## The EBRD

- ➔ **does not compete** with commercial investors
- ➔ **does not lend** or invest when commercial banks or private investors can do it alone
- ➔ **invites other banks** to participate in its operations
- ➔ **leads the market** with innovative products and longer tenors
- ➔ **cooperates with other investors** (supporting strategic equity investors)  
investment of €1 **“mobilises”** another €3 for the project
- ➔ **provides assistance** in structuring and executing investments with significant energy and resources efficiency gains
- ➔ **employs donor grant funds** to complement some of its projects

# The EBRD mandate and the Green Economy



# The Green Economy Transition



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The GET is EBRD's strategy to mainstream across the activities of the Bank, and to increase the share of Bank business represented by projects which have beneficial impacts on the environment or in terms of climate change. Green projects can be from the following areas:

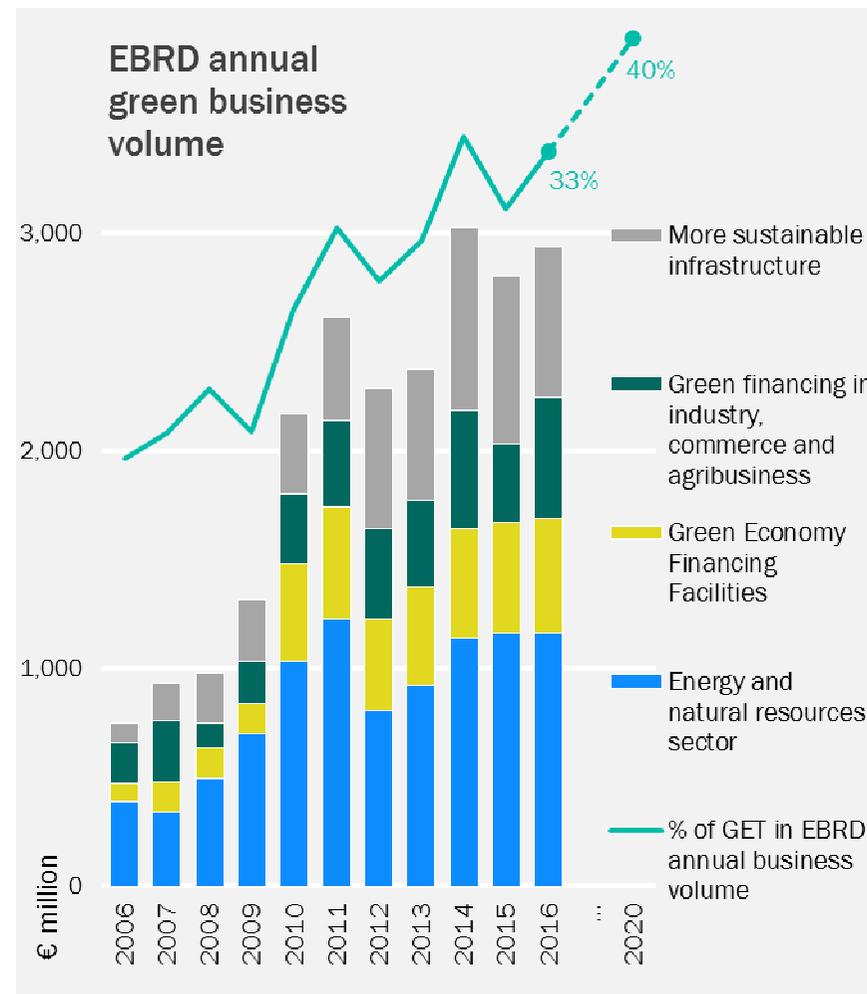
- Energy efficiency
- Renewable energy
- Water efficiency
- Resilience to climate change
- Waste minimisation and material efficiency
- Pollution control and environmental compliance



# Mainstreaming green financing the Green Economy Transition strategy

The Green Economy Transition aims to address market opportunities, as well as market failures, related to resource use and environmental degradation. GET aims:

- **further scale-up** the Bank's operational and policy activities to accelerate transition to low-carbon and climate resilient economies
- **broaden the environmental dimension** of investments supported by the Bank – this includes elements of environmental compliance and remediation
- **innovation and new areas:** promoting green technology transfer and innovation and engaging in new areas like green logistics, irrigation, bioeconomy, etc.
- **flexible financing channels:** engage private as well as public financing channels when opportune to accelerate low-carbon transition (e.g.: energy efficiency in public buildings, green infrastructure).
- **align the transition impact rating** of the Bank with the objectives of promoting a green economy, including recognising scale of impact or related elements of policy change and innovation.



# Green Economy Transition (GET) impacts in 2010 – H1 2018



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# How EBRD funding is attributed to GET impact

## Example

The EBRD is financing a €10 million water-supply rehabilitation project in a water-stressed region. The investment plan consists of four components, with three of these having GET impacts for climate mitigation, climate adaptation and water efficiency (GET finance elements). In accordance with the table below, GET finance for this project is €15 million (all GET components) minus €7 million (overlap) = €8 million.

Investment component		EBRD investment (€ million)	GET finance per investment component (€ million)	GET finance elements (€ million)		
				Climate change mitigation	Climate change adaptation	Water efficiency
1	Replacement of leaking water pipeline	5	5	0	5	5
2	Replacement of energy-inefficient pumps	2	2	2	0	0
3	New office building for water board administration	2	0	0	0	0
4	Public awareness campaign on water and energy consumption	1	1	1	1	1
<b>Total</b>		<b>10</b>	<b>8</b>			

# Examples of recent EBRD support to sustainable GET projects in the Baltics



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## Investment in green bonds issued by Lietuvos Energija (Lithuania, 2017)

- €30 million investment loan to Lithuanian energy utility to modernize its electricity distribution networks and support investments in renewable energy sources to ensure the security of electricity supply.

## Investment in VIPA (Lithuania, 2017)

- €50 million investment loan to a Lithuanian Public Investment Development Agency (VIPA) for energy efficiency and rehabilitation investments in apartment buildings.

## Support to Latvian Baltic Energy Efficiency Facility (fund) (Latvia, 2017)

- €4 million investment loan to LABEEF, an innovative fund to refinance Energy Services Companies (ESCO-s) with long term funding for energy efficiency upgrades in apartment buildings.

## Participation in IPO of Auga Group (Lithuania, 2018)

- € 9 million equity investment (8.7% stake) in Auga Group, one of Europe's largest organic agricultural producers, for various purposes, including expansion, efficiency and production modernisation and investment into a biogas production plant.

# ESCO facility intermediates EBRD finance: forgoing performance based deep retrofits in Latvia

## THE PROBLEM

- Owners of existing building stock (residential and public) struggle to initiate, implement and finance deep energy efficiency retrofits.

## THE SOLUTION

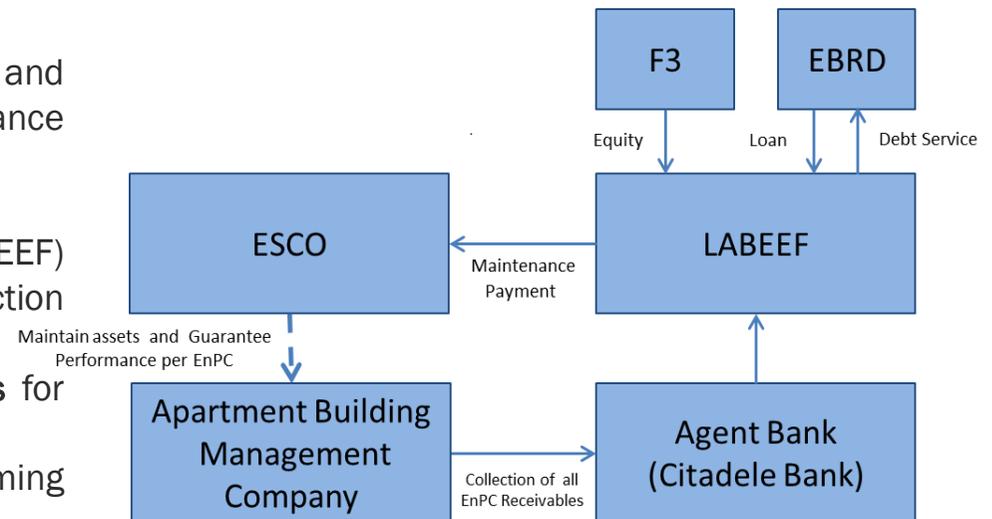
- The Latvian Baltic Energy Efficiency Facility (LABEEF) provides long term finance and reduces transaction costs (less risk) for ESCOs and building owners by:
  - **Providing investment guidelines and templates** for implementation and contracting.
  - **Providing forgoing** for implemented and performing ESCO projects.
- ESCOs have less risk and transaction costs are reduced as they know what technical standards and project documentation are required for accessing LABEEF long term financing.
- Building owners have no additional costs and risks, as ESCOs are paid based on performance and ESCOs take implementation and technical risks.

## THE EBRD'S ROLE

- Helped structure the project and provided debt.

### More information on related webpages

- [EBRD Press Release](#) and [LABEEF website](#)



# Street lighting ESCO Javna (Slovenia, 2017)

## Financing receivables of performing projects

### THE PROBLEM

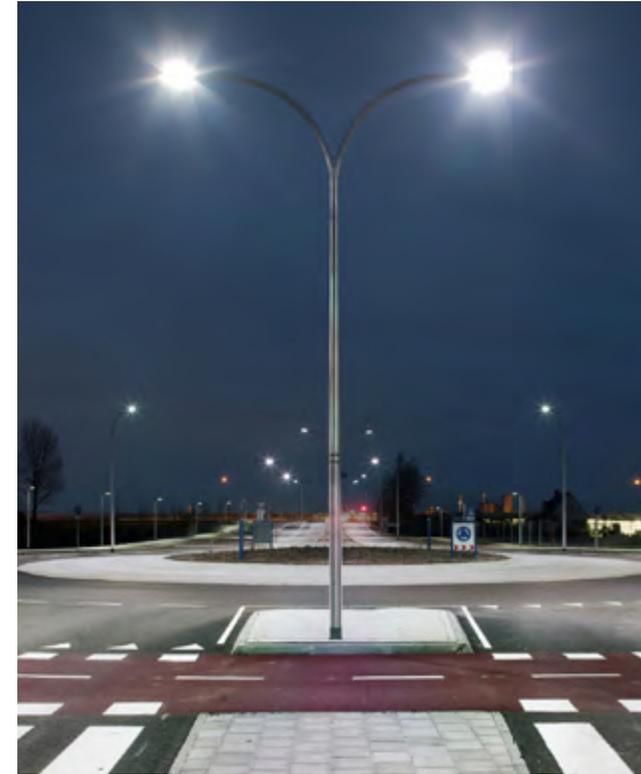
- Municipalities often struggle to define technical specifications for energy efficiency upgrades of existing street lighting systems.
- Municipalities also often struggle to finance these investments or have other priorities.

### THE SOLUTION

- Javna, a private ESCO company, successfully bid and implemented a number of street lighting ESCO projects:
  - Javna financed the investments and took performance risk.
  - Municipalities do not take the technical risk and pay Javna from the savings.

### THE EBRD'S ROLE

- EBRD reviewed Javna's portfolio of performing ESCO projects and its future pipeline
- Based on acceptable portfolio performance EBRD provided **€5.5 million loan** to:
  - **refinance** short-term loans incurred to fund **existing** street lighting Energy Performance **Contracts** (EnPCs) with nine municipalities in Slovenia and
  - **to fund new future EnPC contracts.**



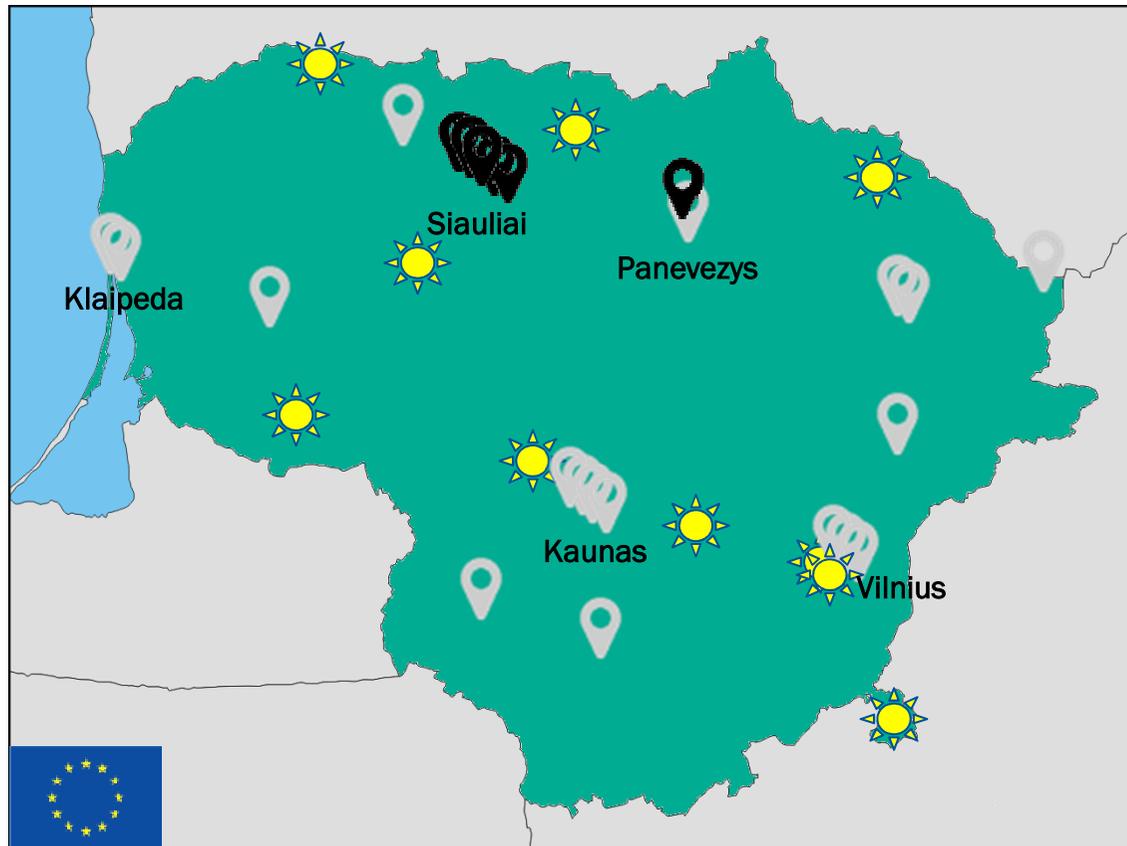
**More information Javna and street lighting financing framework**

- [EBRD Press Release](#)

# VIPA uses EU funded EBRD ELENA support for preparing project pipeline (Lithuania, 2018)



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EU funded ELENA supports the project preparation



Tenders published,  
contracted or  
implemented



ESCO tenders  
under  
preparation



Feasibility  
studies  
approved

## PUBLIC BUILDINGS

- 18 ESCO projects in preparation in total
- 8 of these projects have been successfully tendered and contracted to date and negotiated funding with VIPA and implementation has started
- 4 more are in preparation
- €7.9 million total value
- Projects include a hospital, police building, theatre, museum.
- 90 ESCO projects planned by 2023 with total area of 200 th. sq.m.

## STREET LIGHTING

- 1 street lighting ESCO tender under preparation

# Lessons learned for ESCO market development

- **Create a level playing field:** by providing investment grants/ guarantees/incentives in an equal way to (a) ESCO and other projects, as well as to (b) the different financiers who finance these projects.
- **Reduce (perceived) legal risks, lower transaction costs and prevent fragmentation of market:** by providing contract and procurement templates and provide guidance (e.g. procurement, budget treatment)
- **Reduce political risk:** by encouraging and supporting public building owners to initiate projects.
- **Facilitate the preparation of a project pipeline:** by providing technical support to building owners.
- **Ensure continuity:** avoid boom/bust market development by ensuring that enabling conditions remain available over a longer period.
- **Attracting private sector by creating an opportunity:** ensure appropriate scale of projects and predictability through above points.

# Contacts



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