



Tailor-made financing for Renewable Energy and industrial Energy Efficiency projects

September 2014



Agenda

- EBRD at a glance
- Introduction to the WeBSEDFF
- Eligibility and Operational Arrangements
- CO₂-based Incentive Payments
- Results
- Contact us



The EBRD - an IFI dedicated to private sector development and entrepreneurship

- The largest single investor in the region
- Promotes transition to market economies in 35 countries from central Europe to central Asia
- Supports, but does not replace, private investment. EBRD is a catalyst for higher and riskier involvement of financiers
- Applies sound banking principles and strengthens sustainability
- Owned by 64 countries and two intergovernmental institutions. AAA/Aaa rated



EBRD in Serbia

- Country of operation since 2001
- Local presence with fully fledged Resident Office
- Total commitments of € 3.5 billion as of end-August 2014
- Total of 88 direct and 34 regional projects
- Private/Public Sector: € 1,848M / 1,718M
- Debt/Equity Investments: € 3,043M / 431M
- Objectives: To promote a sound investment climate, good corporate governance and stronger institutions



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What is WeBSEDFF?

- A direct financing facility operated by the EBRD
- For (small) renewable energy and energy efficiency projects
- In the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro and Serbia, including Kosovo, under UNSCR 1244)
- Endowed with up to EUR 100 million of loan funds + up to EUR 21.5 million in Technical Cooperation (TC) and incentive payment funds
- Expected number of projects: 20-25

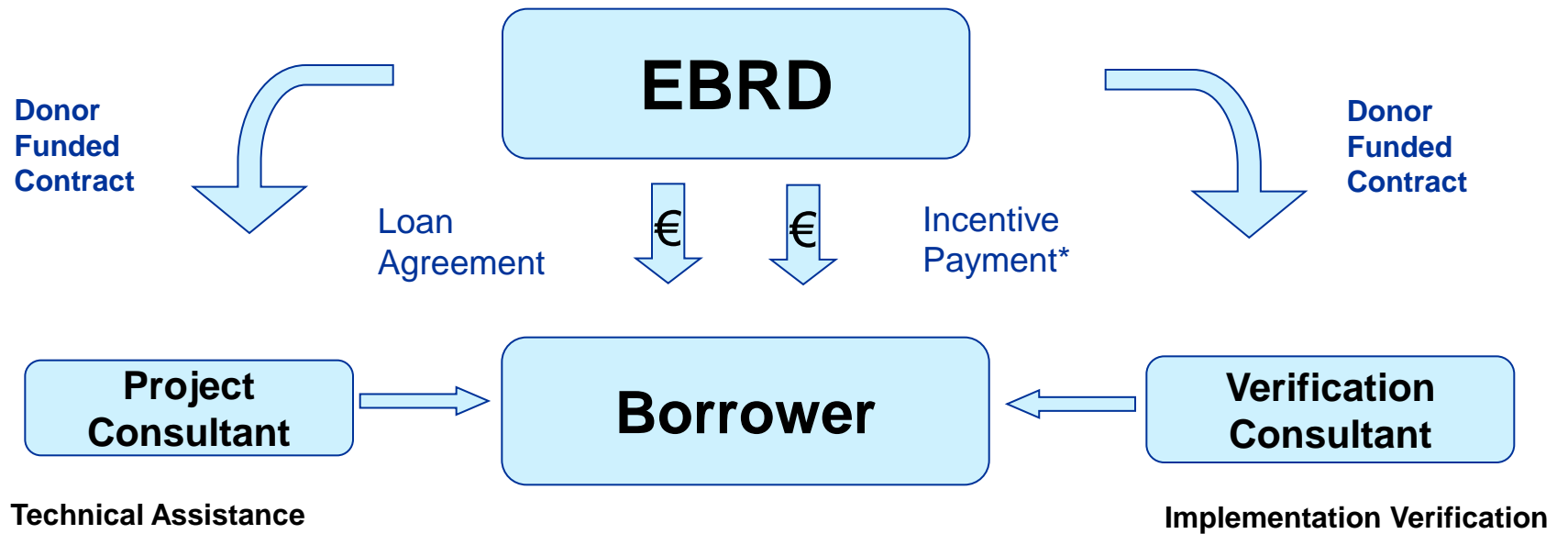


Financing instruments under WeBSEDF

- Senior (secured) loans and project financing arrangements
- From EUR 2 million to EUR 6 million EBRD financing
- Average (expected) maturity of 6-8 years for energy efficiency and 12-15 years for renewable energy projects, with appropriate grace periods and flexible repayment schedules
- Market based interest rates
- Supported by TC funds for project identification and preparation as well as by incentive payments based on the estimated CO₂ emission reductions generated by each eligible project



Structure of the WeBSEDF



** Incentive payments will be paid upon technical completion of the investments to eligible Borrowers*



Positioning of the WeBSEDF

- WeBSEDF is part of a broader **Sustainable Energy Initiative** of the EBRD for the Western Balkans, including also:
 - The **WeBSEFF** – a credit line facility of up to EUR 60 million for financing industrial energy efficiency and small renewable energy projects through Participating Banks (in BiH, FYR Macedonia, Montenegro and Serbia) with individual loans between EUR 100 thousand and EUR 2 million, TC assistance and incentive payments
 - An **institutional capacity building** component of up to EUR 3.5 million to address deficiencies in the regulatory framework and other obstacles to the development of the market for sustainable energy projects (17 assignments already completed or underway)



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Eligibility criteria (1)

- Eligible types of projects:
 - Renewable Energy (predominantly greenfield projects of up to 10 MW) – run-of-river hydro power plants; wind farms; solar systems; biomass systems generating heat and electricity, etc.
 - Industrial Energy Efficiency – on site co- or tri-generation; rehabilitation of boilers, compressed air systems and steam distribution systems; chillers; installations for heat recovery from processes; various other EE improvement measures or combinations of them



Eligibility Criteria (2)

- In order to qualify for financing and incentive payments under WeBSEDF the projects should meet certain eligibility criteria: *
 - **Technical criteria** - defined in terms of:
 - At least 20 percent of energy savings for industrial energy efficiency projects;
 - A minimum efficiency (utilization) rate for renewable energy projects;
 - **Financial criteria** – sound financial / economic structure and sufficient equity capital contributed to the project by the Sponsor;
 - **Other criteria** – for projects requiring concessions, licenses and permits, those should be obtained in compliance with the relevant EBRD requirements (transparent and competitive process, among others)

* Detailed information on the eligibility criteria can be provided upon request



Operational Arrangements (1)

- **Project consultants** will screen and evaluate potential projects. Their role will be to:
 - Verify the compliance of the project with the technical and other eligibility criteria
 - Help project sponsors to define the scope of their projects (including by performing an Energy Audit) and assist them in applying for financing
 - Estimate the potential CO₂ emission reductions by each project on the basis of which the incentive payments can be calculated
 - Provide guidance to the project sponsors about the best practices in the field and help them to implement their projects;



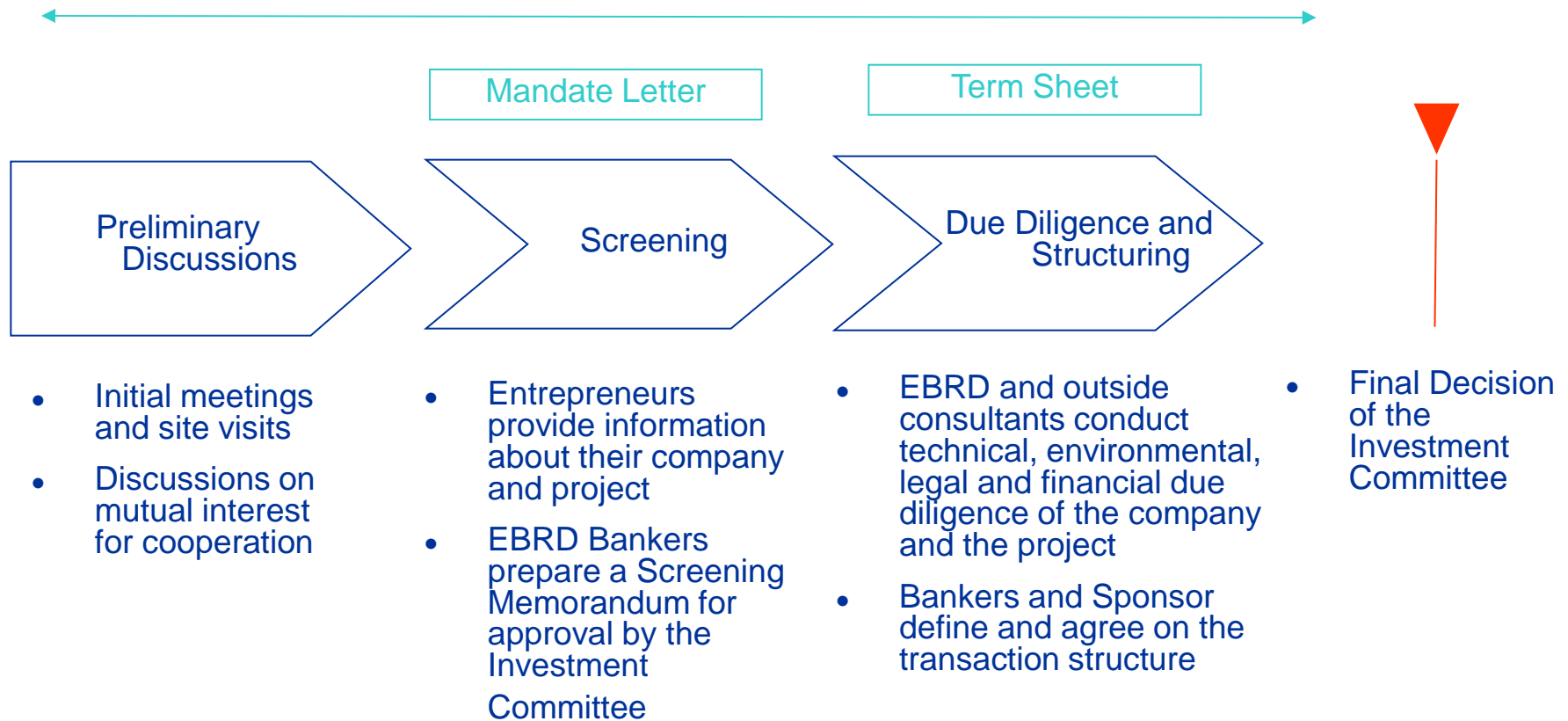
Operational Arrangements (2)

- Approval Process and Other Features:
 - A two-stage approval procedure carried out in London
 - Expected duration from initial discussions to final approval: 4 – 9 months
 - Legal costs: to be covered by the EBRD (subject to certain constraints)
 - Interest rates: market based, depending on the type and risk profile of the project, the Sponsor and other considerations



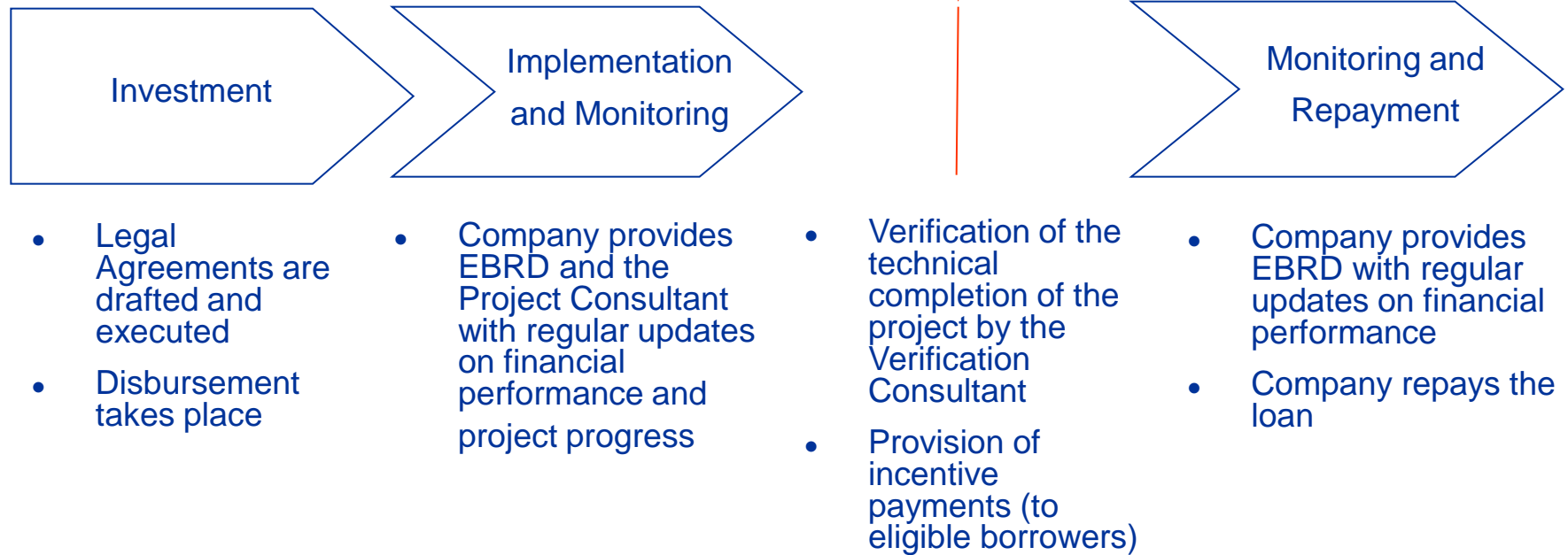
Financing Process (1)

Pre-investment phase (from 4 to 9 months)



Financing Process (2)

Post-investment phase (up to 15 years)



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Incentive Payments: basic idea

- In order to encourage local entrepreneurs to develop Sustainable Energy projects in a less than perfect market environment, WeBSEDFE will offer incentive payments to eligible projects
- The mechanism for provision of incentive payments under WeBSEDFE is based on the CO₂ emissions that each project will avoid
- It emulates a CDM carbon credits transaction, but without generating actual carbon credits for the project sponsor or a third party



Incentive Payments: Operational Arrangements

- The incentive payments will be paid upon technical completion of each eligible project:
 - **Verification Consultant** will verify the technical completion and operational viability of each project;
 - The incentive payments will be paid towards a **reduction of the outstanding loan principal** –the entrepreneurs will not receive a lump sum, but will benefit through reduced interest and principal payments over the life of the loan;
 - Incentive payment **cap** levels of **10%** of the loan principal will be introduced to prevent excessive subsidies for highly efficient projects or for projects with low leverage;



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Signed projects

Project	Total project value	Amount financed by EBRD	Sector (EE/RE)	Country
Construction of 7 SHPP with a total capacity of 5.8 MW	10.9	6.0	RES	FYRM
Rehabilitation of hydropower unit and installation of a new turbine generator	2.5	1.4	RES	Kosovo
Refurbishment of production utilities of a meat processing company	1.5	1.3	EE	FYRM
Construction of 4 SHPP with a total capacity of 4.1MW	9.4	6.0	RES	FYRM
Construction of 3 SHPP with a total capacity of 3.7 MW	6.2	3.0	RES	FYRM
Construction of 2 SHPP with a total capacity of 7.7 MW	10.3	6.0	RES	Albania
Construction of 5 SHPP with a total capacity of 2.7 MW	5.5	2.7	RES	Serbia
Construction of 2 SHPP with a total capacity of 5.2 MW	6.2	3.0	RES	Albania
Implementation of energy saving measures in retail stores	5.4	5.4	EE	BiH



Contact us

European Bank for Reconstruction and Development

Blue Center, Španskih boraca 3

11070 Belgrade

Serbia

Tel: +381 11 21 20 530

Fax: +381 11 21 20 534

www.ebrd.com

Mirjana Vujičić

Principal Banker

E-mail: vujicicm@ebrd.com

For further information: www.websedff.com

