



USELF

Ukraine Sustainable Energy  
Lending Facility

# Specifics of the USELF Program cycle



**Alexey Romanov, USELF Senior Commercial Expert,  
IMEPOWER Consulting  
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# USELF Program cycle

**1. Application submission (developer/investor)**

**2. Preliminary project screening (USELF/EBRD)**

**3. Signing Mandate Letter with EBRD**

**4. Project detailed analysis (USELF/EBRD)**

**5. Signing loan agreements with EBRD**

**6. Project implementation monitoring (USELF/EBRD)**



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# 1. Application submission

- Goal: to receive general information about the project and project investors, and to determine projects compliance with USELF eligibility criteria
- Source of information: application questionnaire filled in by project developer
- *Typical application questionnaires for each source of renewable energy are available on the USELF website*



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## 2 (1) Eligibility criteria assessment

- **Eligibility criteria for companies:**
  - ✓ The company shall be a resident of Ukraine (availability of foreign partners is also possible)
  - ✓ Lack of state or municipal property
  - ✓ Availability of transparent organizational structure and ownership relations
  - ✓ Availability of funds to cover project costs (not less than 40%)
  - ✓ Company must be willing to operate in compliance with EBRD requirements (financial reporting in accordance with international standards, corporate governance, environmental and social policy)



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## 2(2) Eligibility criteria assessment

- Criteria for projects:

- ✓ Project shall produce «green» electricity as main pay-back source (other additional pay-back sources are also possible, e.g. income from thermal energy sale)
- ✓ Project shall provide significant reduction of greenhouse gas emissions
- ✓ Project size (minimum and maximum project cost)
- ✓ Project shall meet certain technical, economical , environmental, social and financial eligibility criteria



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## 3. Problematic issues

- Reasons for projects development delay:
  - ✓ Lack of own funds at design company's disposal
  - ✓ Lack of minimum necessary information
  - ✓ Early stage of project implementation
  - ✓ Noncompliance of pay-back sources (small share of "green" energy or lack of "green" energy)
  - ✓ Non-transparent organizational structure and claim on assets
  - ✓ Reputational risks



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## 4(1) : Preliminary project screening

- Goals:
  - ✓ To identify financial soundness of the borrower
  - ✓ To identify technical, economical and financial viability of the project
  - ✓ To identify current status of project implementation
  - ✓ To initially determine problems hampering further project implementation and ways of their solving
- Approximate period of preliminary project screening:
- 1 months from obtaining all necessary information from the project developer



## 4(2): Preliminary project screening

Result: Preliminary report covering the following:

- ✓ Information about the company – project developer
- ✓ Organizational structure of project implementation and project beneficiaries, their financial status, availability of another business, amount of control and financial performance indicators
- ✓ Evaluation of technical and economical parameters of the project: project site location, project technical concept, yield calculation, equipment purchase, construction and installation works, project cost and OPEX calculation, technical aspects of grid connection



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## 4(3): Preliminary project screening

**Result:** Preliminary report covering the following:

- ✓ Project management team and project implementation schedule
- ✓ Suppliers and contractors (qualification & experience)
- ✓ Evaluation of current project implementation status: land and urban-planning issues, design documents development, grid connection
- ✓ Evaluation of project economic attractiveness: financial model calculation
- ✓ Project environmental and social impact
- ✓ Project risks assessment and risks minimization measures



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## 4(5): Preliminary project screening

- **Reasons for projects implementation delay :**
  - ✓ Lack of necessary information
  - ✓ Imperfection in legal norms and regulations
  - ✓ Inconsistent registration of rights in land procedures
  - ✓ Use of unproven equipment and technologies
  - ✓ Specific issues depending on project type: for wind projects – lack of qualitative wind measurements; for biomass projects – insufficient tariff level for reliable equipment utilization, for biomass and biogas – lack of reliable long-term feedstock supplies, for SHPP projects – environmental impact



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## 5: Signing Mandate Letter with EBRD

- **Conditions of signing:** Taking positive decision by EBRD on loan approval based on USELF experts recommendations
- **Purpose:**
  - To define indicative lending terms
  - To determine compensatory amount of EBRD expenses connected with project preparation (legal due diligence)
  - To determine scope of financial penalties for the developer in case of developer's withdrawal from the negotiation process with EBRD
- **Terms of signing:** In accordance with EBRD operating procedures, from several days to several weeks after submission of the investigation findings by USELF experts



## 6: Detailed project analysis

- ✓ List of questions for analysis generally corresponds with the preliminary screening object
- ✓ Higher requirements with regard to detailed information and availability of permit documents
- ✓ Advances status of project implementation
- ✓ High level of certainty concerning approval procedures completion schedule
- ✓ Detailed technical concept and availability of detailed cost estimate
- ✓ High level of contractual relations certainty with regard to project financing and implementation



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## Investment in renewable energy - a step for the future!

Did you know that Ukraine imports up to 80% of the fuels to cover its primary energy needs while its own generating assets are ageing and highly polluting?

For Ukraine, the need to improve energy security and reduce the environmental impact of its energy sector is acute. Renewable energy can play a key role in addressing both these issues.

Although it has great potential for renewable energies, Ukraine has as yet hardly exploited this. The main reason for this low level of activity is that, until now, the legislative and regulatory frameworks have not been adequate to allow implementation of the numerous potentially feasible projects in this area.

In order to encourage businesses to pursue sustainable energy projects, the European Bank for Reconstruction and Development (EBRD) has launched the Ukraine Sustainable Energy Lending Facility (USELF). To promote projects that are often challenging to finance and implement, the Facility not only provides tailor-made financing, but also assistance by technical consultants for businesses and local authorities.

USELF is part of the EBRD's Sustainable Energy Initiative (SEI) addressing the challenges of climate change and energy efficiency. Since the launch of the SEI in 2006, the EBRD is at the forefront in helping countries from Central Europe to Central Asia to secure sustainable energy supplies, and finance the efficient use of energy that will cut demand and imports, reduce pollution and mitigate the effects of climate change.

Facility developed by:



**European Bank**  
for Reconstruction and Development

Project Consultants:

**FICHTNER**







# Thank you for your attention!

## **USELF Project Office**

**4th floor, Office 4B**

**BC Horizon Office Towers**

**42-44 Shovkovychna Street**

**01601 Kyiv, Ukraine**

**Helpline: +38 095 8998 443**

**E-mail: [info@uself.com.ua](mailto:info@uself.com.ua)**

**[www.uself.com.ua](http://www.uself.com.ua)**



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