

# **Working with EBRD on Renewable Energy: Experience and Opportunities**

**Sergiy Maslichenko, EBRD**

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# EBRD – a largest financial investor in Ukraine

- International financial institution with highest investment rating (AAA)
- Focus on private sector - 75% of portfolio
- In Ukraine over €8.6 billion (335 projects) committed, including €1 billion in 2012
- “Sustainable Energy Initiative - Phase 3” – €4-6 billion in 2012-2014
- Strategy for Ukraine 2011-2014 – energy efficiency and renewable energy are key priorities of the EBRD
- Focus on renewable energy in Ukraine from 2007



# EBRD involvement in renewables

- Technical Assistance (TA) to the Government and the NERC:
  - Market and regulatory framework assessment, recommendations for the feed-in tariff primary legislation (2007-2008)
  - Assistance to the NERC with development of secondary legislation and workable framework for renewable energy (2009-2010)
- USELF – Ukraine Sustainable Energy Lending Facility – prepared in 2008-2009, launched in end-2010:
  - Global Environmental Facility grant of \$8.5m for TA component
  - Clean Technology Fund concessional co-financing (€20m)
  - EBRD internal approval of €50m loan facility
- Large renewable energy projects (mostly wind) under preparation



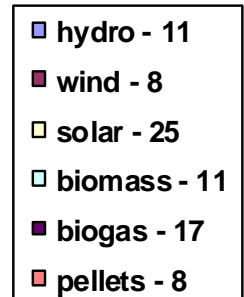
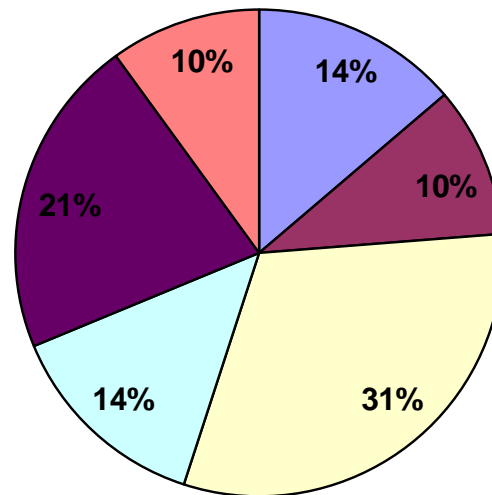
# What is USELF?

- Direct lending facility operated by the EBRD
- For small and medium-sized renewable energy projects
- EBRD can provide up to 40% of total project costs or max €10 million;
- CTF provides up to 20% and
- Balance of financing to be provided by developer's equity (around 40%)
- Tenor up to 12 years, hard currency (€), margin is based on project assessment and market conditions
- Expected number of projects – 8-12



# USELF projects

- Around 100 project applications
- Only 25-30 projects are feasible, but most of them are not bankable or require substantial additional work



- 6 projects approved and 5 projects under preparation



# Approved projects: Eco-Optima Wind

- 12.5 MW wind farm to be constructed in the Stary Sambir region, Lviv oblast
- 5 wind turbines with a 2.5 MW capacity each to produce and sell 25,500 MWh power to the grid
- Total financing EUR 20.5 million:
  - Equity contribution – EUR 7.2 m
  - EBRD 10-year senior loan – EUR 9.5 m
  - CTF 15-year senior loan – EUR 3.8 m
- Commissioning is expected in 2013



# Approved projects: Porogi Solar

- 4.5 MW solar power plant near village Porogi, south of Vinnytsya region
- Expected production – 5,000 MWh
- Total financing EUR 9.5 m:
  - Equity – EUR 3.8 m
  - EBRD 8-year senior loan with cash sweep – EUR 4.1 m
  - CTF 15-year senior loan – EUR 1.6 m
- EPC contract with Martifer Solar
- Plant has been constructed and operational since February 2013



# Approved projects: Hydropower

- 2 small hydro power plants with total capacity of 1.7 MW on the Bily Cheremosh River in Ivano-Frankivsk oblast
- Expected production – 6,500 MWh
- Total financing EUR 3.8 million:
  - Equity – EUR 1.8m
  - EBRD 10-year senior loan – EUR 1.3m
  - CTF 15-year senior loan – EUR 0.7m
- Commissioning is expected in 2014





# USELF: Lessons Learned

- Limited number of foreign investors – about 5% of project applications
- Perceived high risks related to the country, sector, regulatory environment
- Very negative impact of local share content requirement, its ambiguity and instability
- Insufficient equity funds (<40%) of project developers, who are financially weak and reluctant to look for an equity partner
- Lack of experience and resources for project preparation up to the standards required by foreign banks or IFIs
- Very limited experience with project financing in Ukraine
- A new concept of EPC in Ukraine – only few EPC contractors
- 4-year delay with biogas and landfill gas tariff legislation, though still unclear situation with biomass definition which constrains developers



# Thank you!

## **Sergiy Maslichenko**

Senior Manager, PhD

Energy Efficiency and Climate Change Team

Email: [MaslichS@ebrd.com](mailto:MaslichS@ebrd.com)

## **EBRD**

16, Nemyrovycha-Danchenko Street,

Kyiv, Ukraine 01133

Tel: +380 (44) 277 1100

Fax: +380 (44) 277 1160

