

NATIONAL ROUNDTABLE ON FINANCING ENERGY EFFICIENCY IN LATVIA: PUBLIC SECTOR AND PERFORMANCE BASED PROJECTS

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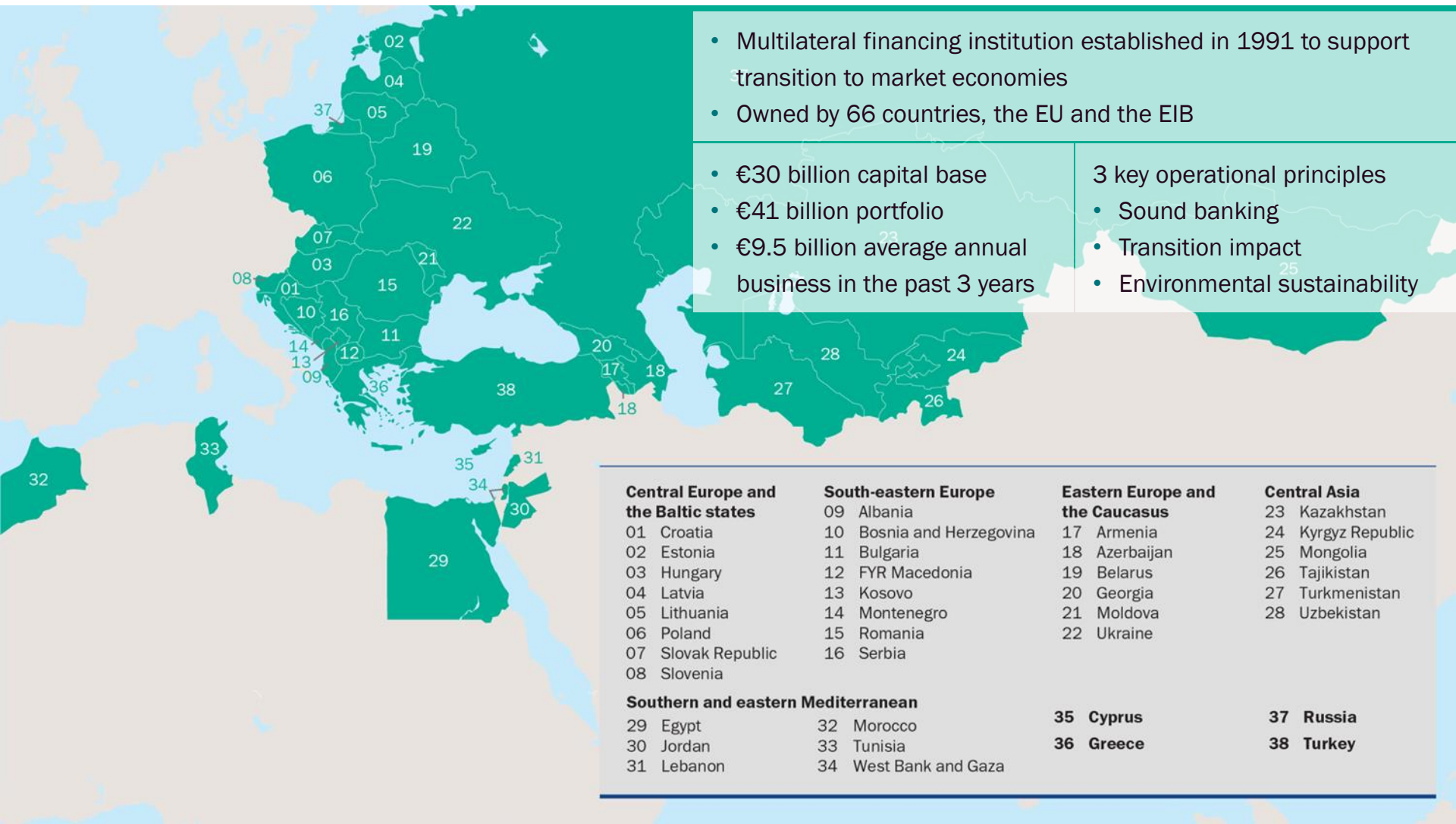
Energy Efficiency and Climate Change team

European Bank for Reconstruction and Development



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
- €9.5 billion average annual business in the past 3 years

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

Central Europe and the Baltic states	South-eastern Europe	Eastern Europe and the Caucasus	Central Asia
01 Croatia	09 Albania	17 Armenia	23 Kazakhstan
02 Estonia	10 Bosnia and Herzegovina	18 Azerbaijan	24 Kyrgyz Republic
03 Hungary	11 Bulgaria	19 Belarus	25 Mongolia
04 Latvia	12 FYR Macedonia	20 Georgia	26 Tajikistan
05 Lithuania	13 Kosovo	21 Moldova	27 Turkmenistan
06 Poland	14 Montenegro	22 Ukraine	28 Uzbekistan
07 Slovak Republic	15 Romania		
08 Slovenia	16 Serbia		
Southern and eastern Mediterranean			
29 Egypt	32 Morocco	35 Cyprus	37 Russia
30 Jordan	33 Tunisia	36 Greece	38 Turkey
31 Lebanon	34 West Bank and Gaza		

EBRD Basic Principles



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Promotes transition to market-based solutions, 'commercialized' approaches, good corporate governance, international standards, private ownership where appropriate

Transition
Impact

Invests in financially viable projects, prefer revenue generating projects, co-financing with private sector (banks/sponsors)

Sound
Banking



Addition-
ality

Supports, but does not replace/underprice private investment and/or commercial finance

EBRD Mandate – Transition Qualities



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Competitive

Building dynamic and open markets that stimulate competition, entrepreneurship and productivity growth.

Well-governed

Promoting the rule of law, transparency, and accountability, and stimulating firms to adequately safeguard and balance the interests of their stakeholders.

Inclusive

Building inclusive market economies which ensure equal economic opportunity for all and leave no group behind.

Integrated

Building geographically integrated domestic and international markets for goods, services, capital and labour.

Resilient

Building resilient market economies that can withstand turbulence and shocks.

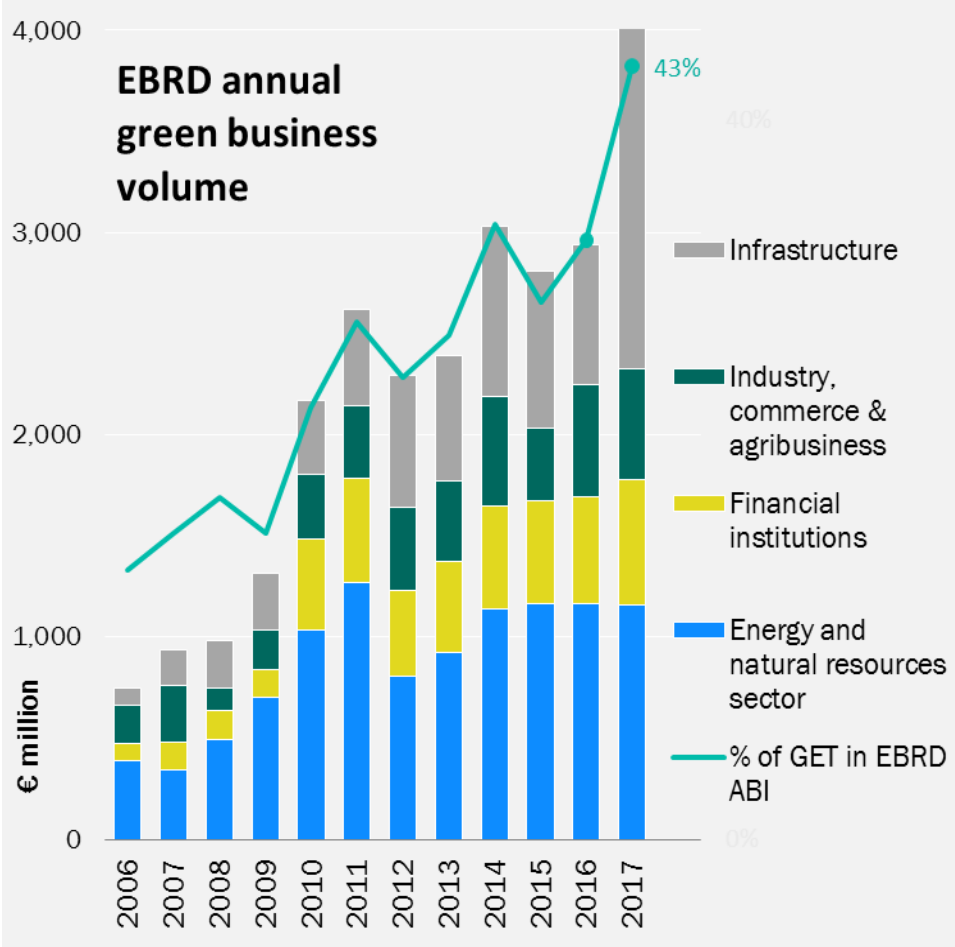
Green

Building green, sustainable market economies which preserve the environment and protect the interests of future generations.

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 to:

- **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
- **innovate and engage in new areas:** promote green technology transfer and innovation and engage in new areas like green logistics, irrigation, bioeconomy, etc.
- **use more flexible financing channels:** engage private and public financing channels 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.



Mainstreaming green financing Results in 2006 – 2017



FINANCED

1,460

projects and credit lines

1,000+ directly financed projects with green components, and

250 credit lines to local financial institutions for on-lending to smaller projects

SIGNED

€26 billion

of green financing

For projects with a total value of €148 billion signed in 2006-2017

In 2017 green financing represented 43% of EBRD's total business, up from only 15% in 2006

REDUCED

90 million

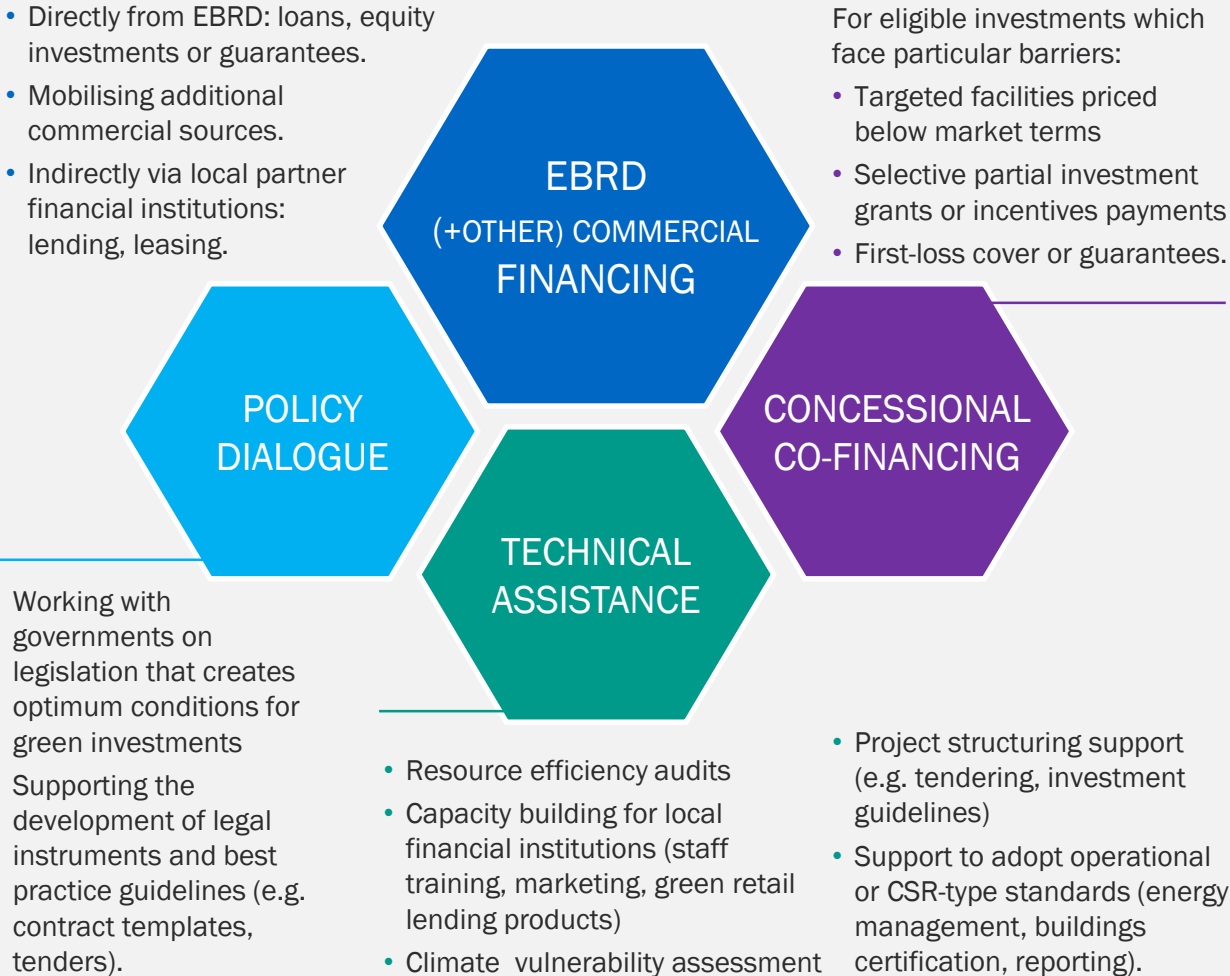
tonnes of CO₂/year

Emission reductions more than annual energy emissions of Romania

+annual water savings of 200 million m³ since 2013 equal to more than a third of annual water use in London

Mainstreaming green financing

The EBRD business model



GET IMPLEMENTATION

ENERGY EFFICIENCY INVESTMENTS



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Assist clients upgrade municipal infrastructure such as:

- District heating
- Public transport networks
- Water supply systems
- Public buildings EE
- Street lighting

20% OF GET ENERGY EFFICIENCY INVESTMENTS

Infrastructure



Assist businesses to assess energy and resource efficiency potential by:

- Conducting resource efficiency audits to identify priority investments
- Introducing advanced energy and resource management practices
- Providing financial solutions tailored to businesses and their projects

36% OF GET ENERGY EFFICIENCY INVESTMENTS

Corporates



Credit lines to local PFIs for on-lending to small and mid-sized green projects. Technical assistance teams, who identify and assess investment opportunities, train banks' staff, and develop marketing activities. If needed, complemented with incentive payments to end-borrowers.

16% OF GET ENERGY EFFICIENCY INVESTMENTS

Financial Institutions



Preparing Green Cities Action Plans to promote low-carbon urban development via integrated assessments of environmental gaps and priorities for upgrading services and infrastructure. Investments are supported with technical assistance, financing and concessional co-financing.

Green Cities



Finance and Technology Transfer Centre for Climate Change helps clients to invest in climate technologies with partial investment grants along EBRD finance to overcome affordability and first-mover barriers. Newly launched innovation vouchers scheme (Ukraine, Serbia) supports R&D service providers.

FINTECC

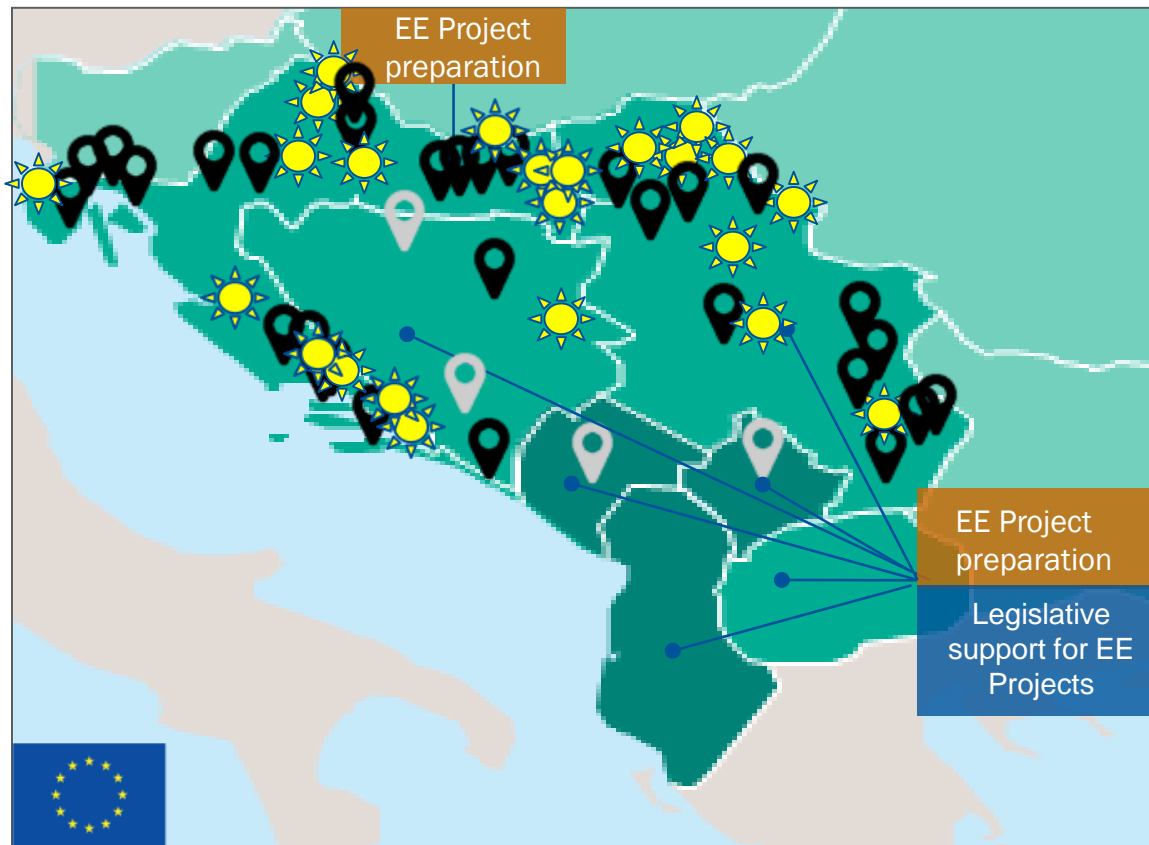


Ukraine Residential Energy Efficiency Facility is a €40 million facility for high performing technologies in the residential sector, implemented via 4 PFIs. Combined with 4 policy engagement activities to implement the legal and regulatory framework.

UREEF



EBRD ESCO Project Preparation in Western Balkans



Bosnia Herzegovina

- 1 hospital EE project
- 3 district heating ESCO projects
- 1 street lighting ESCO project

Serbia

- 21 street lighting ESCO projects approved
- 9 building and 1 district heating ESCO projects

Croatia

- 21 street lighting ESCO projects prepared

TC assignments

Energy efficiency (EE)
Project preparation



Tenders published,
contracted or
implemented



ESCO tenders
under
preparation



Feasibility
studies

Policy dialogue

Legislative support for
EE Projects

Case study of street lighting project in Novigrad, Croatia: EBRD supported tender preparation



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- **Project:** Replacing more than half of the approx. 1,700 lights in the town of Novigrad, Croatia (population 2,600) in Istria with LED lights
- **Model:** Energy performance contract, with payments linked to savings
- **Costs:** total capex of €411,000 with a 8 years payback based on energy and maintenance savings
- **Financing sources:** 35% grant-funded by Croatia's Environmental Protection and Energy Efficiency Fund and 65% financed by the ESCO company selected following competitive tender
- **Savings:** 54% of energy consumption and 45% of maintenance costs, annually



This project is funded by
the European Union

- **Environmental impact:** 112 tonnes of CO2 estimated annual greenhouse gas emission reductions from electricity savings
- **Tender preparation supported** by EBRD under EU funded [Regional Energy Efficiency Programme \(REEP\)](#).

EU funded EBRD ELENA supports Project Pipeline Development in Slovenia



EU funded ELENA supports the project preparation



Tenders published,
contracted or
implemented



ESCO tenders
under
preparation



Feasibility
studies prepared
or in preparation

Public buildings

- 1 ESCO tender in Novo mesto has been published, contracted and implemented – value EUR 4m
- 1 ESCO tender in Celje has been published and contracted – value EUR 3.9m
- 1 ESCO tender in Kranj has been published and contracted – value EUR 6.2m
- Estimated maximum purchasing value of 3 ESCO published tenders is equal to EUR 14.1m

District heating

- 1 project in Kranj has its feasibility study prepared and is to start ESCO tender preparation
- Estimated maximum purchasing value is equal to EUR 3m

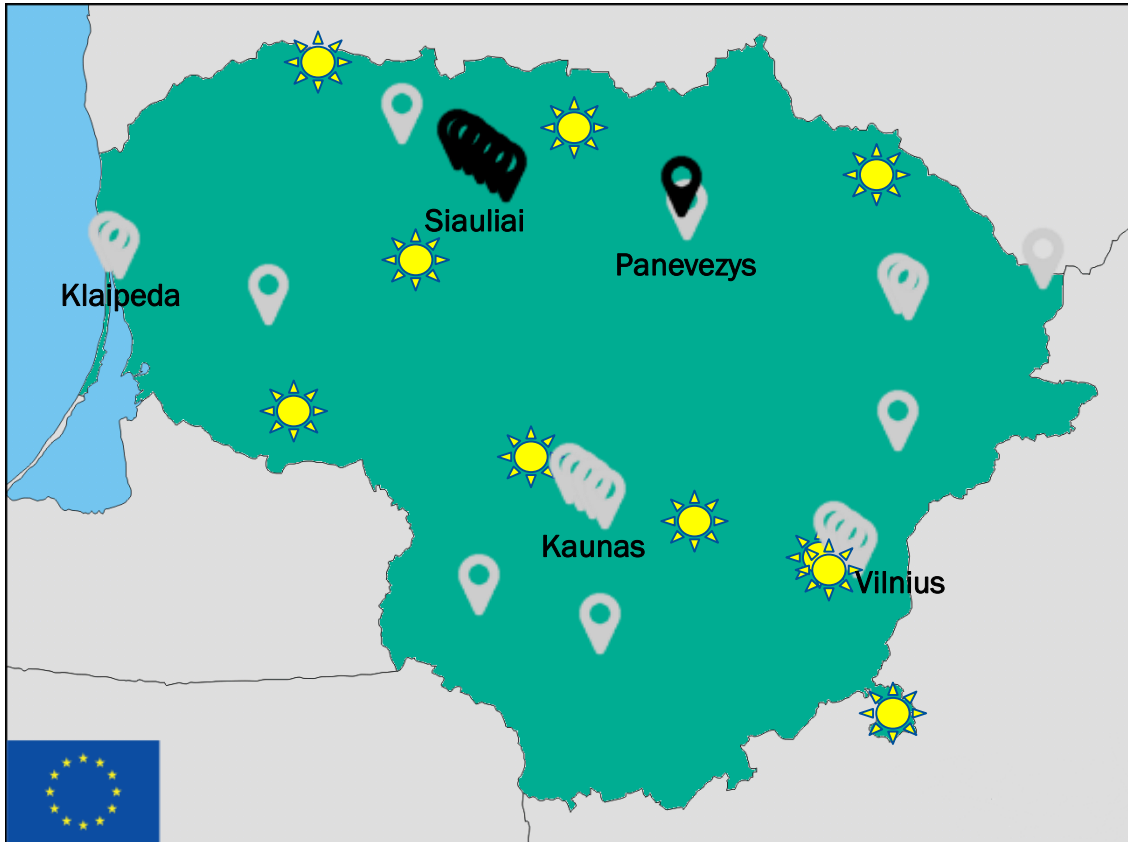
Street lighting

- 1 street lighting project in Celje has its feasibility study prepared and is to start ESCO tender preparation

EBRD supported ESCO Projects in Lithuania



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Tenders published,
contracted or
implemented



ESCO tenders
under
preparation



Feasibility
studies
approved

Public buildings

- 10 ESCO tenders published
- Estimated maximum purchasing value of published tenders is equal to EUR 6.2m
- 5 ESCO tenders are under preparation
- 18 projects have their feasibility studies prepared and are to start ESCO tender preparation

Street lighting

- 1 street lighting ESCO tender under preparation
- Estimated maximum purchasing value is equal to EUR 15m

PUBLIC

- EBRD financed dedicated and bespoke ESCO financing facility. Support to vertically integrate the investment process with investment guidelines that facilitate reduction of risks for all stakeholders.
- Due diligence and since then for additional 2 years it was confirmed >52% energy savings (heat) in comparison to baseline.
- EBRD supported Ministry of Economics to prepare Energy Performance Contracting contract templates for street lighting and public buildings.

- **Create a level playing field:** by providing investment grants/ guarantees/incentives in an equal way to ESCO and other projects.
- **Reduce (perceived) legal risks, lower transaction costs and prevent fragmentation of market:** by providing templates and clarifying any questions (e.g. regarding procurement or VAT or 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.

Thank you!



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PUBLIC