



ECONOLER

Econoler' s experience with Bulgarian Energy Efficiency and Renewable Energy Sources Fund (BEERESF)

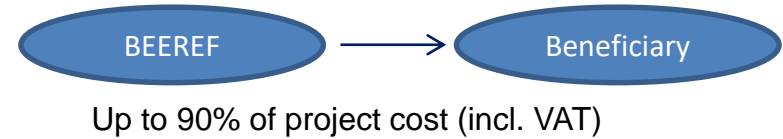
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Warsaw, Poland
November 30, 2017**

BEEREF – REVOLVING FINANCING MECHANISM

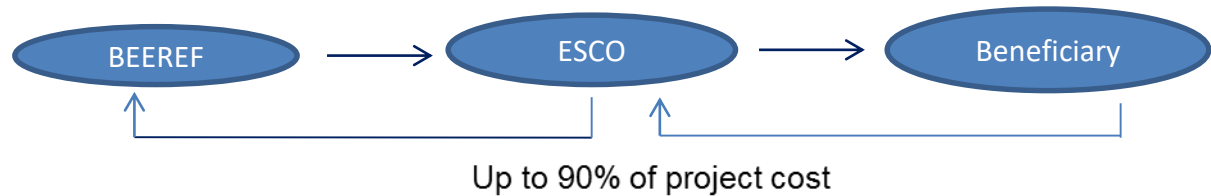
- ▽ Revolving mechanism for financing commercially viable EE and RES projects
- ▽ Established in 2005 pursuant to Energy Efficiency Act from 2004
- ▽ Initial capitalization – approx. BGN 22 million (\$15 m)
- ▽ Capitalization through donations from
 - International: World Bank (for GEF), Government of Austria, Eurobank EFG,
 - National donors: Bulgarian Government, “Lukoil” AD, Brunata, Enemona.
- ▽ BEEREF Structure:
 - Donors assembly
 - Management board
 - Independent fund manager

BEEREF – LOAN PRODUCTS

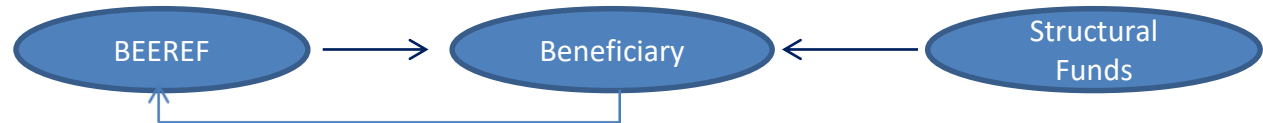
I. Direct loans to final beneficiaries



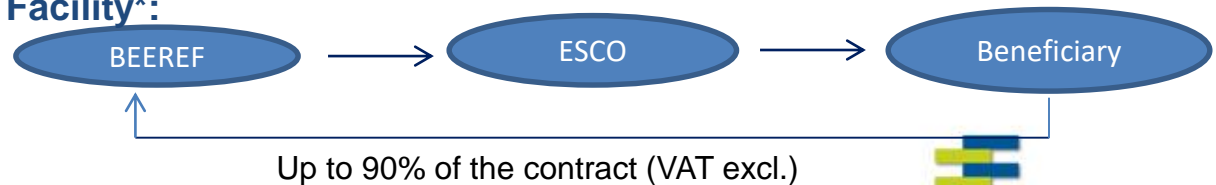
II. Loans for ESCO



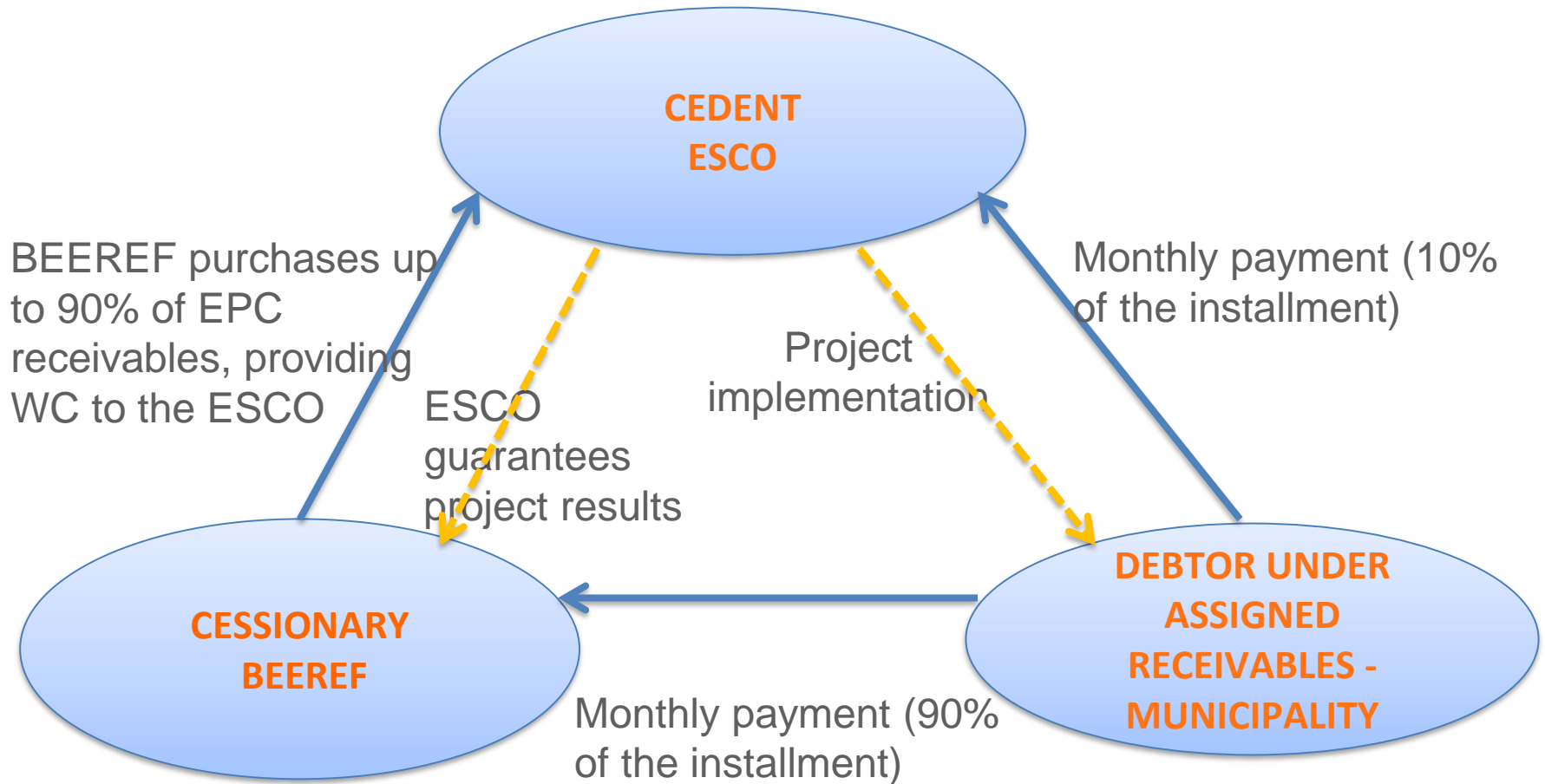
III. Bridge Financing:



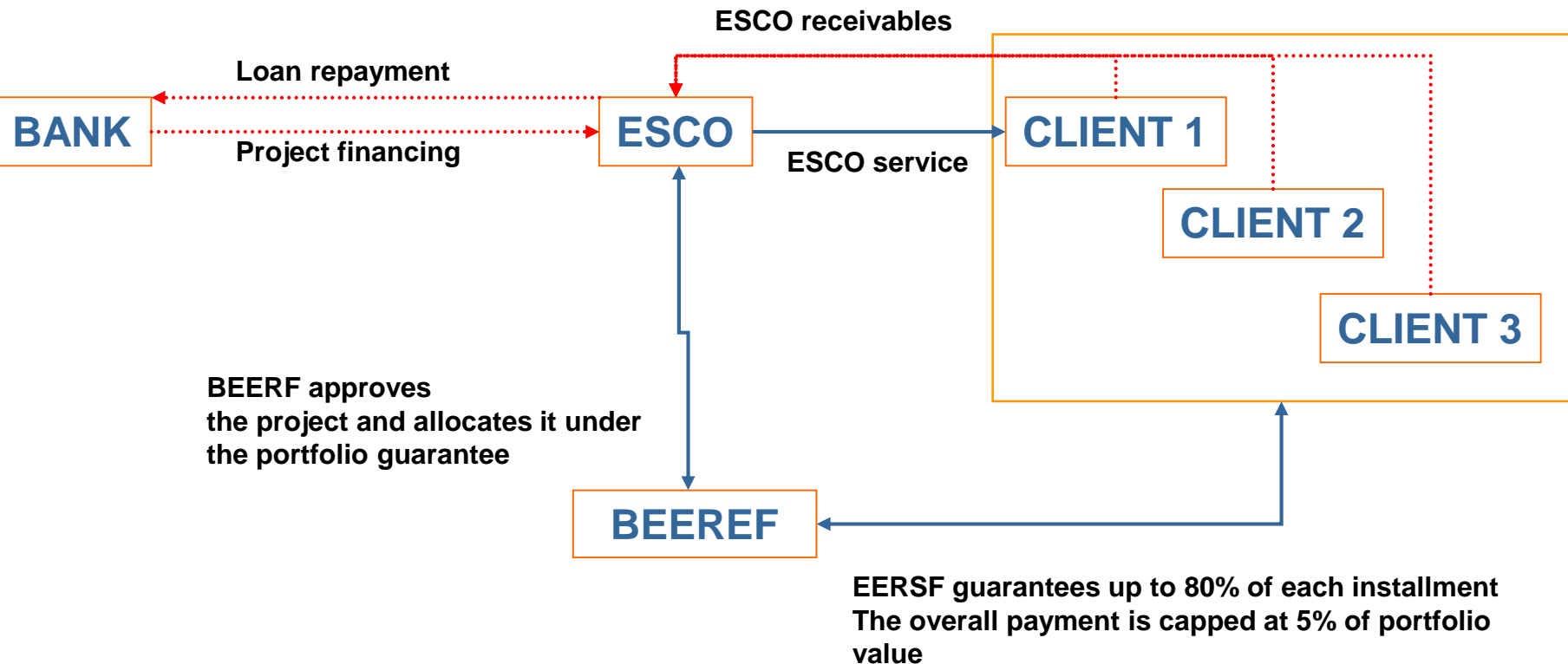
IV. ESCO Receivables Purchase Facility*:



BEEREF – financing ESCO through purchase of receivables (cession)



BEEREF – ESCO Portfolio Guarantee scheme



EERSF Summary Results as of Q3 2017

Credits	Number of projects	% projects	Value of projects (EUR million)	% value of projects	Size of financing (EUR million)	% size of financing
Municipalities	103	53,1%	20,6	50,4%	13,9	48,2%
Corporate clients	68	35,1%	12,7	31,3%	9,4	32,7%
Others (hospitals, universities, etc.)	23	11,9%	7,5	18,3%	5,5	19,1%
Total	194		40,8		28,8	

Guarantees	Number of projects	Value of projects (EUR million)	Size of financing (EUR million)
Partial credit guarantees (on credit contracts)	4	3,5	1,95
Portfolio guarantees on ESCO projects	29	8,9	0,31
Total Credit Guarantees	33	12,4	2,26

WHY ESCO?

ESCO Advantages:

- + One Stop Shop for technical solution and financing
- + No credit risk (off balance sheet debt)
- + Paid from savings
- + High quality O&M guaranteed
- + Shorter project design to implementation period

ESCO Disadvantages:

- Higher cost of capital and project implementation cost
- Limited project design/implementation flexibility

ESCO Risks:

! Third party interference with the operations of the utility.

ESCO – POTENTIAL SOURCES OF FINANCING

Bank Loans:

- Not widely available in SEE
- Usually balance sheet, not project finance (CF) based
- Additional collateral required

Own funds (intragroup financing):

- Accessible only for entities owned by large multinational corporations (Philips, Johnson Controls, Honeywell, Phillips, etc.)

Sale of receivables portfolio to secondary market (specialized funds, bonds, etc.)

- BEEREF was the first to start purchasing ESCO receivables in Bulgaria

ESCO – BARRIERS FOR GROWTH

- Capital intensive business – twists the balance sheet of the company
- Long term investments
- Receivables depending on project performance and client`s long term financial viability
- Lack of “firm” collateral makes EPC unattractive to banks (higher risk-weighted value of the loan)
- Technically complicated projects – hard to be understood by financiers
- Hard to be standardized and replicated (high administrative costs for banks vs. relatively small project size)

MEASURES FOR REMOVING THE BARRIERS

- Cooperation with local financial institutions – technical assistance, awareness raising
- Development of guarantee mechanisms to support bank lending (national guarantee schemes, EU sponsored mechanisms)
- Adoption of standardized energy performance measurement and verification protocols – fast track to disputes resolution (ICP, IPMVP)
- Development of secondary market for EPC receivables



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