Introduction to E5P

(*Eastern Europe Energy Efficiency and Environment Partnership*)

Brussels, April 14, 2011

This Partnership is Implemented by the following Implementing Agencies

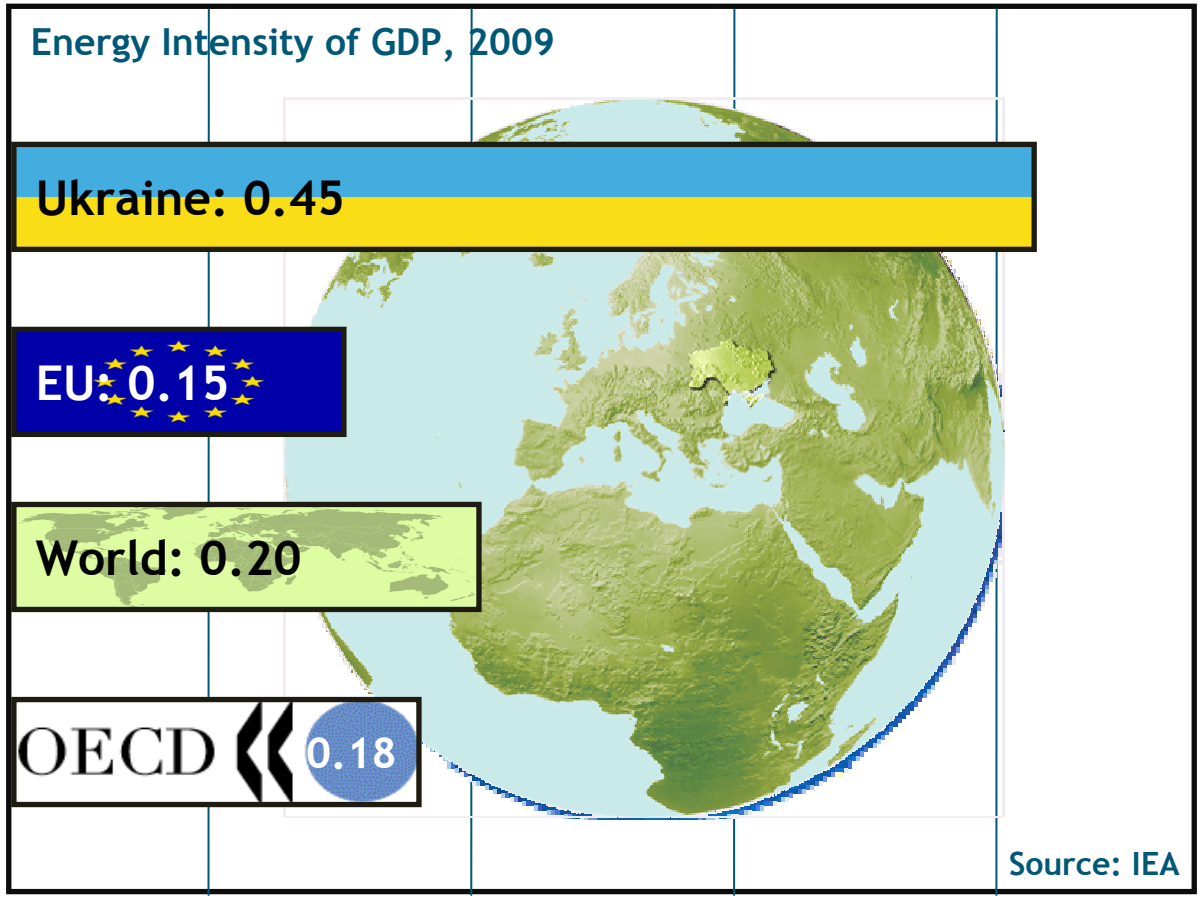
European Investment Bank | NIB | European Bank for Reconstruction and Development | THE WORLD BANK | NEFCO

This Partnership is Implemented with Contribution to the Fund from

E5P

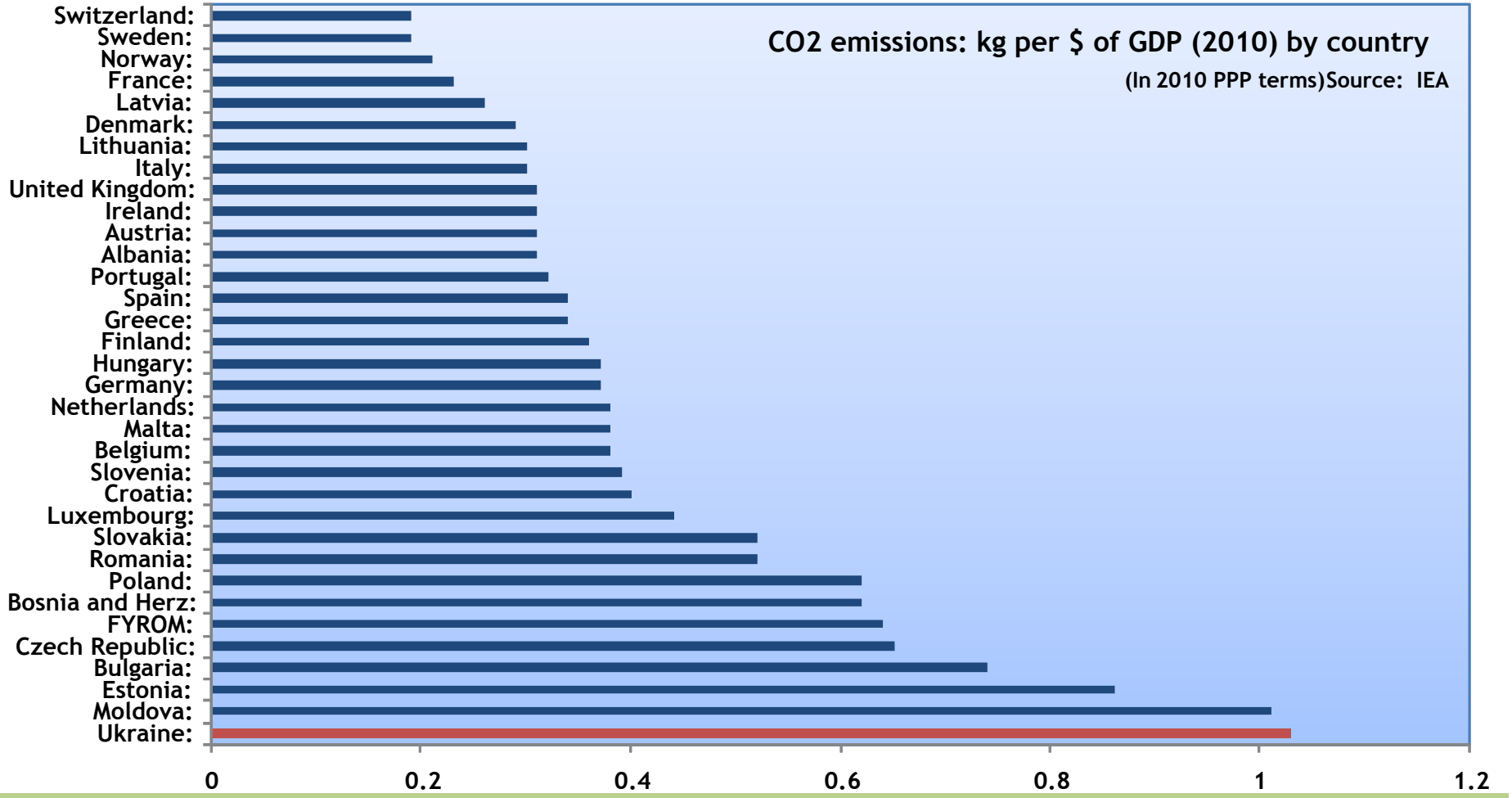
Ukraine: High Energy Intensity

- Ukrainian energy use is currently 3 times higher than the EU average per unit of GDP

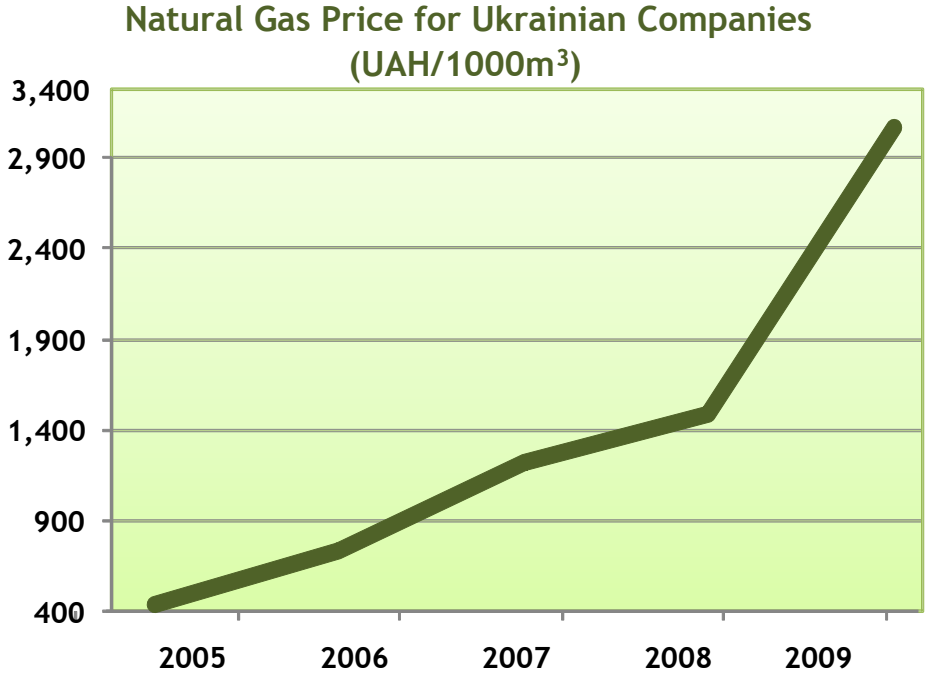


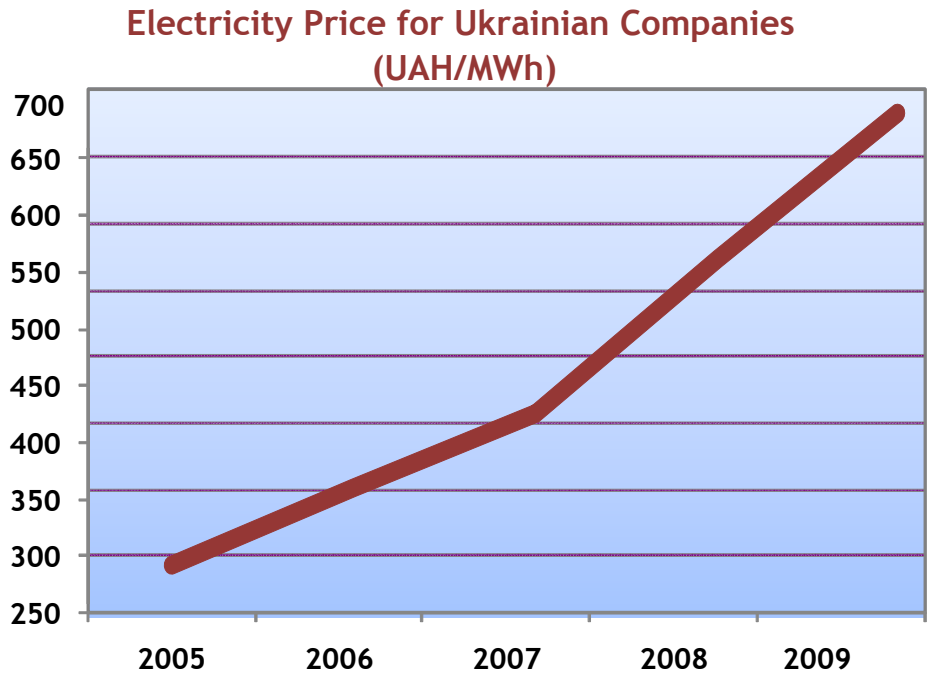
Ukraine: High CO_2 emissions

- Ukrainian CO_2 emissions per unit of GDP are the highest in Europe



Gas and electrity prices for Ukrainian companies

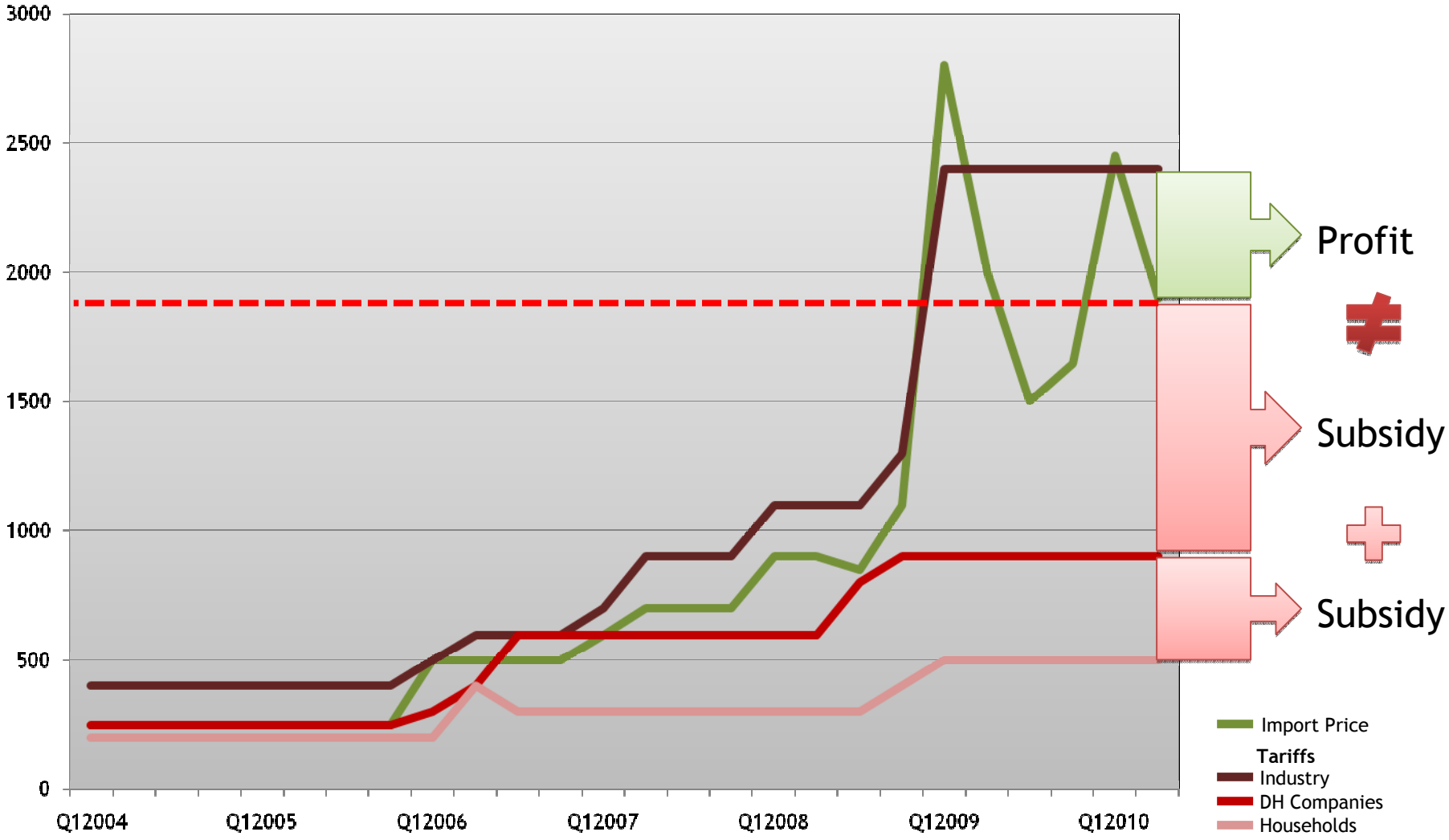




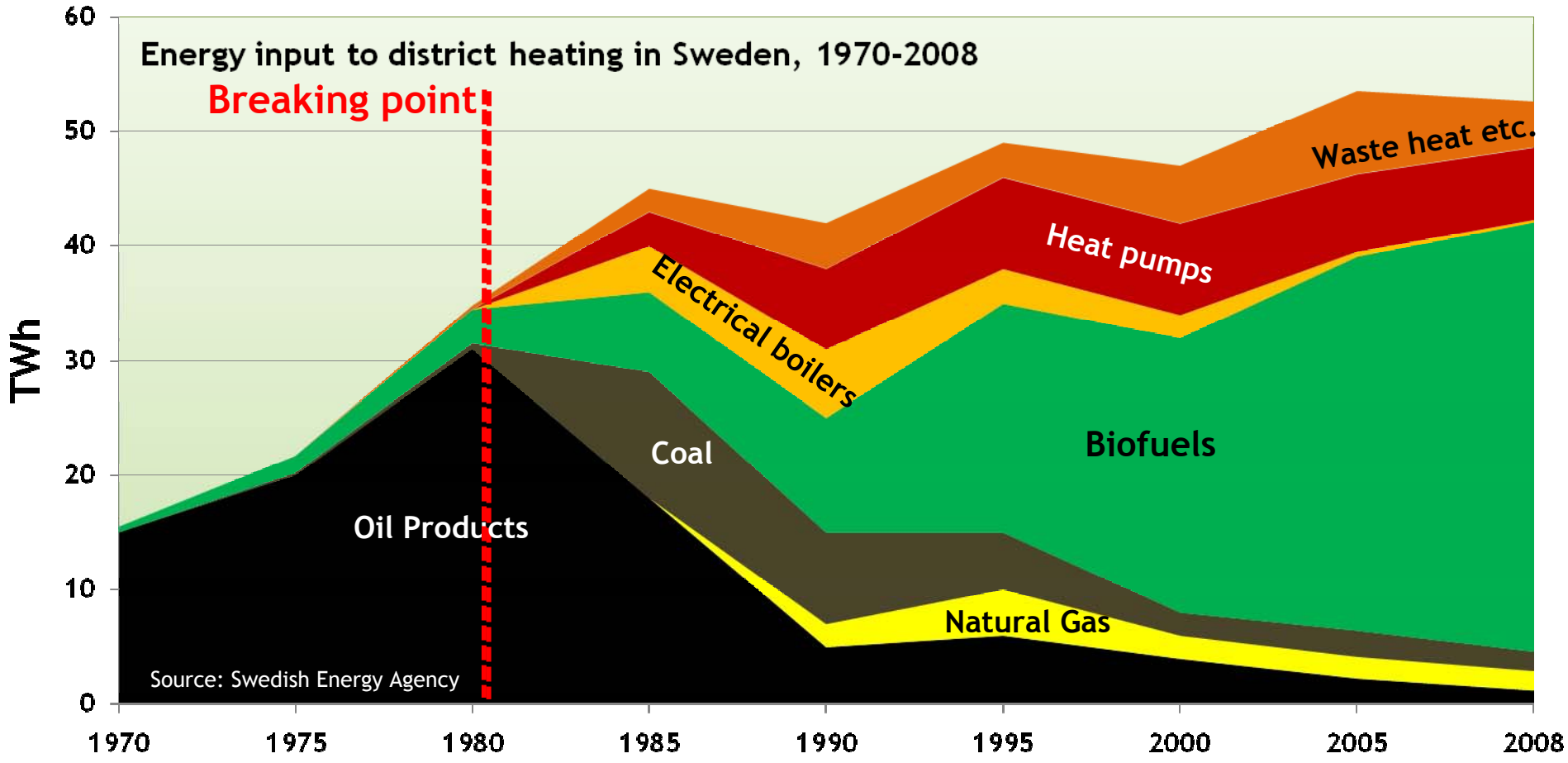
Gas price:
2005-2010 +621%
Annual increase = 64%

Electricity price:
2005-2010 +137%
Annual increase = 24%

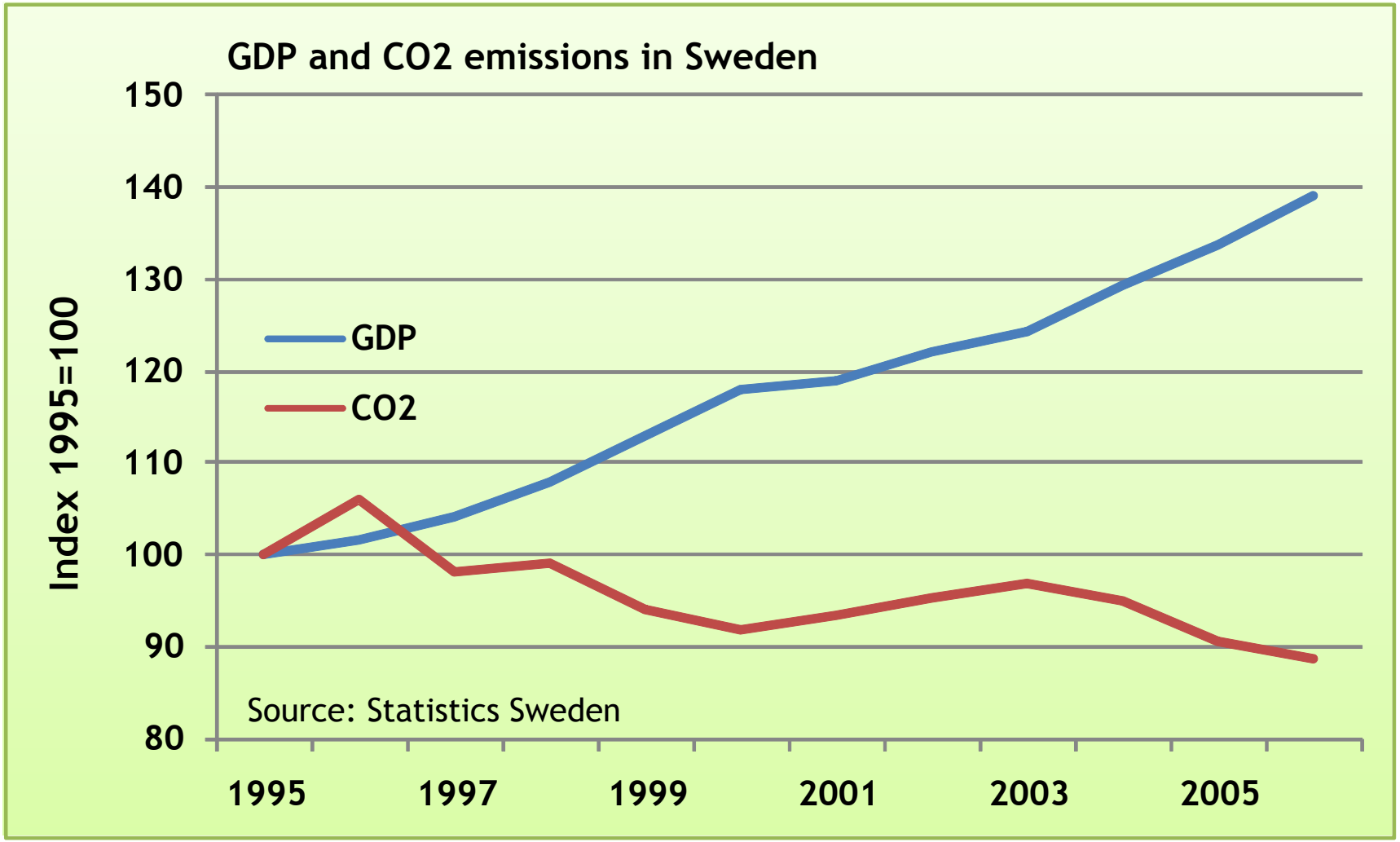
Natural Gas Price Development (UAH) 2004-2010



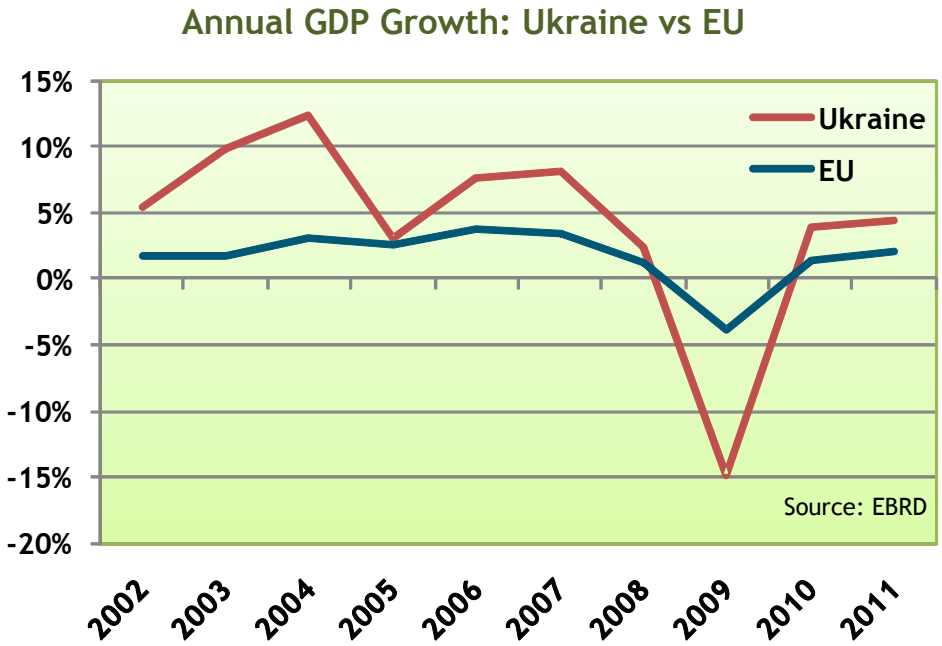
Swedish evolution of energy sources

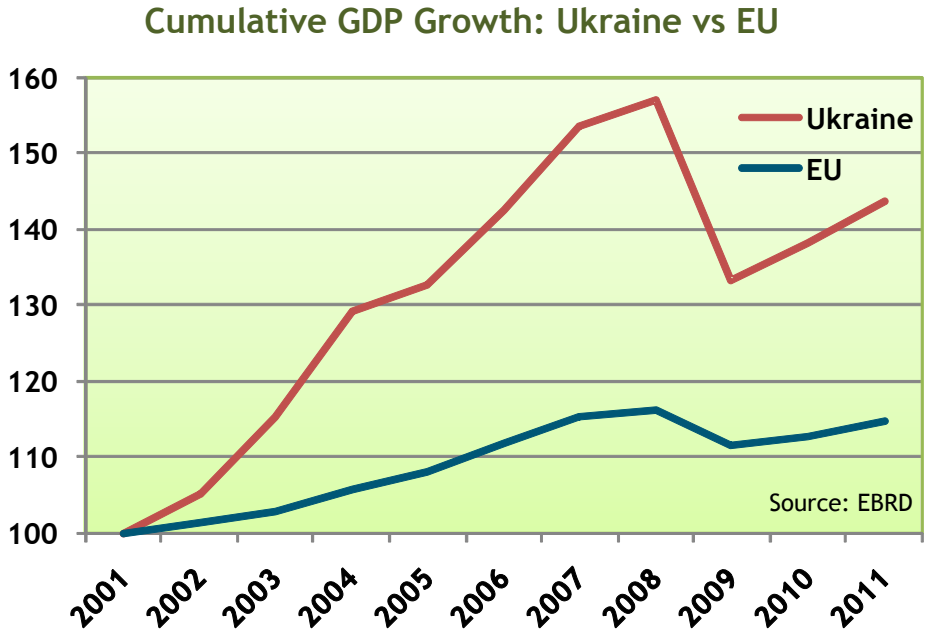


Sweden: Higher GDP but lower emissions



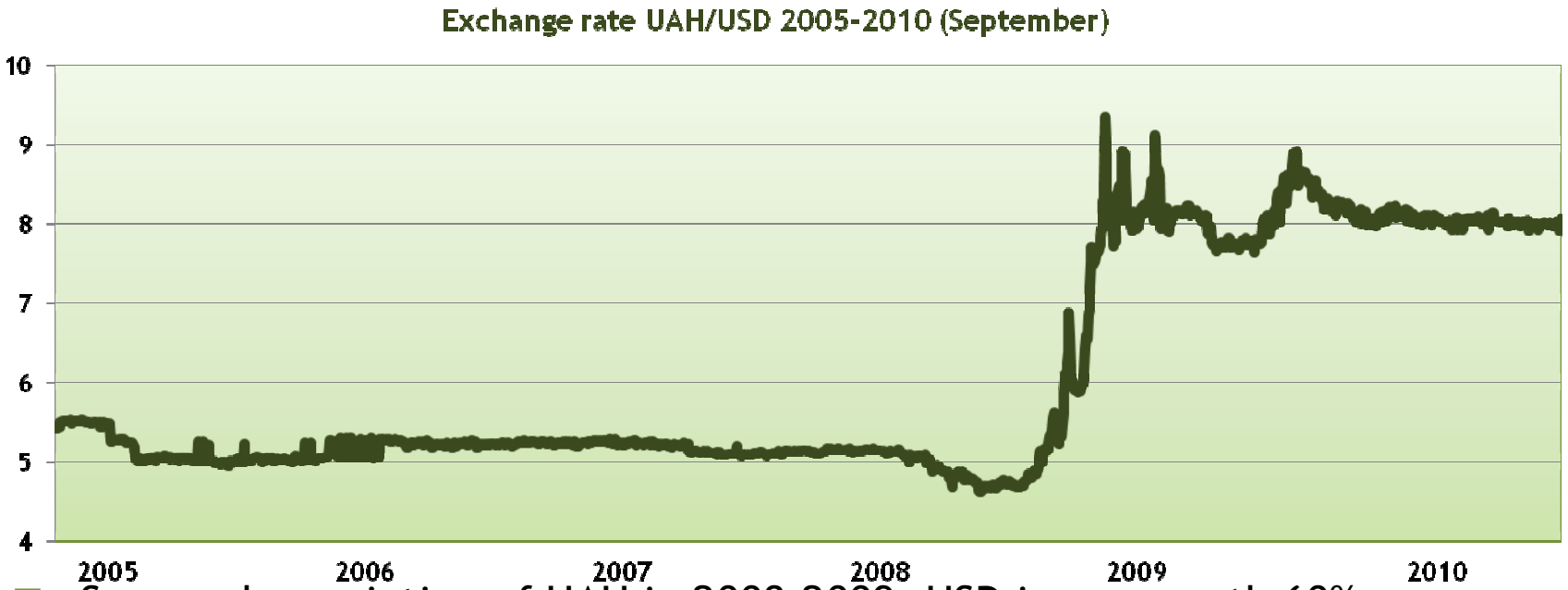
GDP growth is resuming





- Although Ukraine has been hit especially hard by the financial crisis, its cumulative growth since 2001 is still much higher than for the EU
- Even though a weak recovery is expected during 2010-2011, Ukraine's growth willl still be stronger than growth in the EU

UAH has depreciated but stabilized



- Severe depreciation of UAH in 2008-2009: USD is now worth 60% more than in 2005-2007
- Exporters benefit
- Companies and always utilities with UAH revenues and hard currency costs lose

→ Access to hard currency bank financing has been severely reduced, one reason for the difficulties to implement utility projects

E5P Objectives and characteristics

- MultiContributor Fund
- Pooling funding for supporting
  - Energy Efficiency Projects
  - Environmental projects with the aim to
  - Reduce CO_2 emissions and other harmful GHG
- Initial focus is Ukraine
- E5P will later on expand to other countries within Eastern Partnership area
- Typical projects
  - District Heating
  - Water and Wastewater
  - Solid Wate Management
  - Insulation of Public Buildings

SECTION I - PURPOSE OF THE FUND (from the Rules)

The purpose of the Fund is to allow a harmonised and effective delivery of international financial support over several years by pooling non-reimbursable contributions from a group of Contributors, to be used primarily for supporting energy efficiency and environmental projects, resulting in a significant energy savings, reduction of carbon dioxide (CO2) and other greenhouse gases (GHG) emissions.

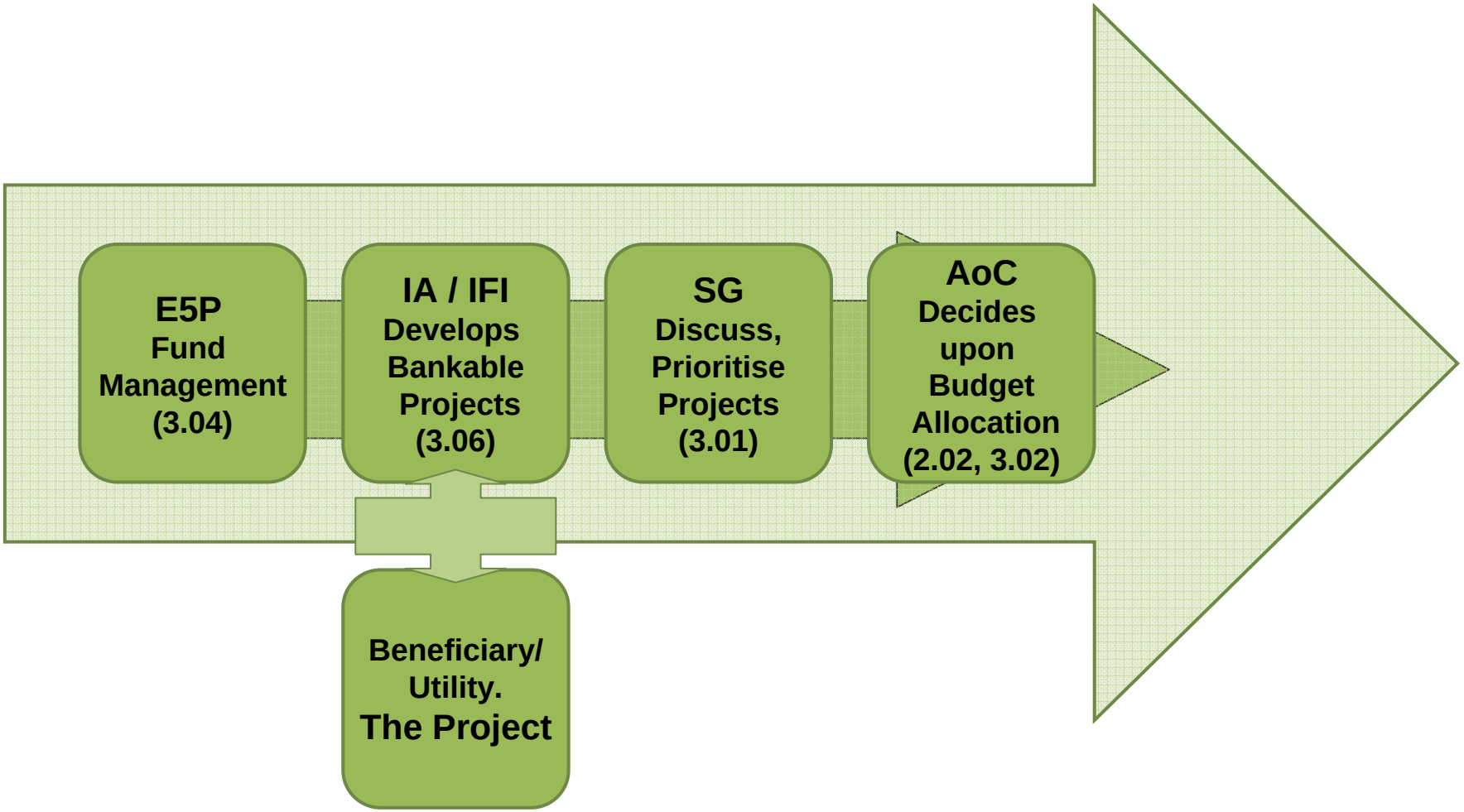
Contributors and Status

- Ten Contributors Pledged more than **MEUR 90** during a pledging Conference in Stockholm November 2009
- **Ukraine Pledged MEUR 10** as MEUR 2 during five years.
- Additional countries highligthed their intention for future pledges
- Status today. Several signed CAs and appr **MEUR 20 in E5P account**
- Rules of the Fund Approved.
- First Steering Group Meeting in Kiev April 21.
- First Assembly of Contributors expected before summer

Contributors and Status, Overview

Contributor	CA Signed	Pledged	Paid in
Denmark		5,000,000	
Estonia	✓	160,000	32,000
Finland	✓	2,000,000	500,000
Latvia		50,000	
Iceland	✓	56,413	56,413
USAID		5,325,000	
Norway	✓	5,000,000	
Sweden	✓	24,000,000	8,890,034
EC	✓	40,000,000	10,000,000
Poland	✓	191,814	191,814
Ukraine	✓	10,000,000	
TOTAL, Euro		**91,783,227**	**19,670,261**

Partnership and Cooperation



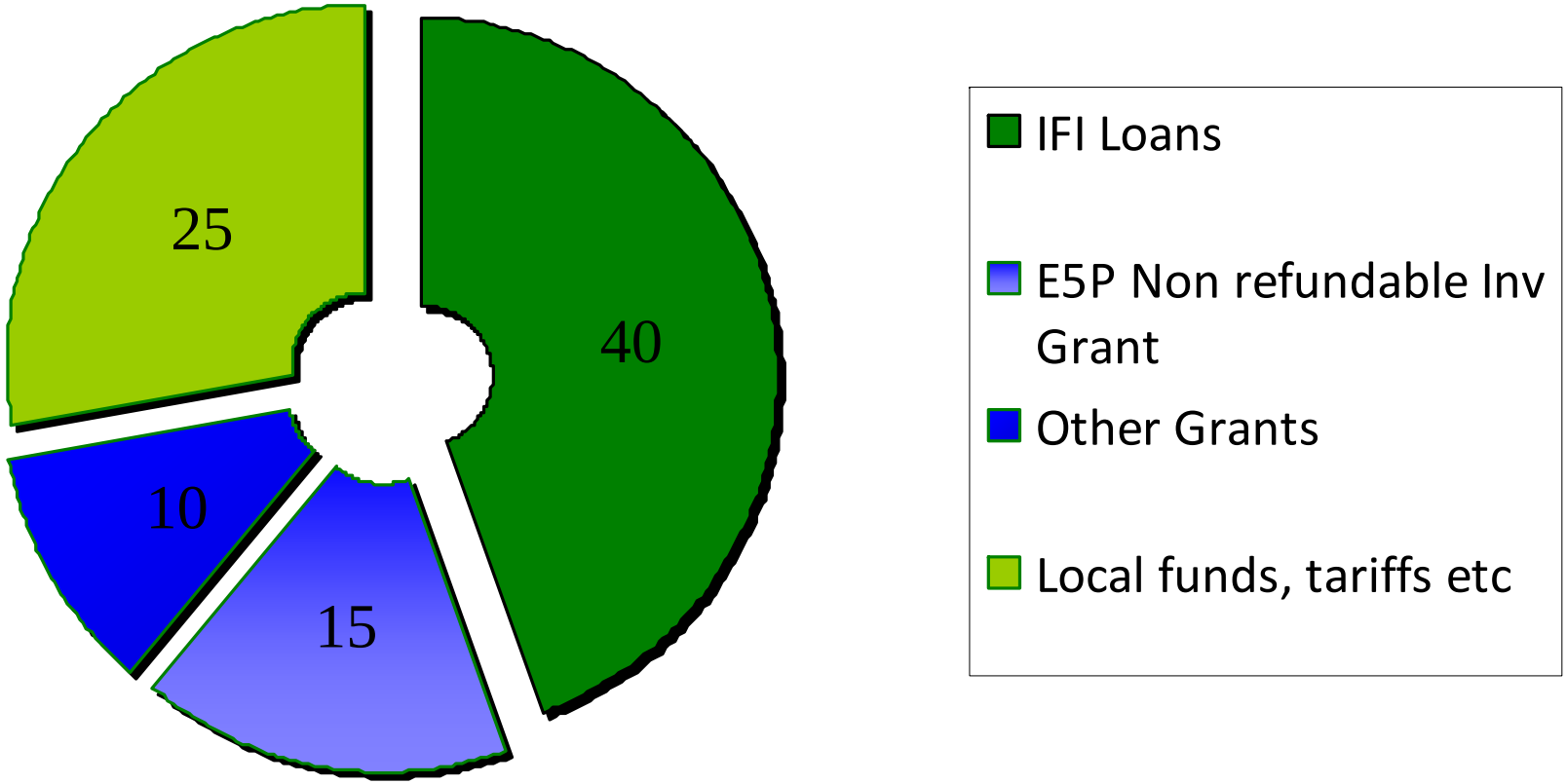
Governing Bodies

- Assembly of Contributors (AoC)
  - Contributors forum
  - Strategies and Guidelines
  - Approves Projects proposed by Steering Group
  - Chaired by EC, **Ukraine** included in AoC
  - First meeting scheduled to be soon after first Steering Group meeting

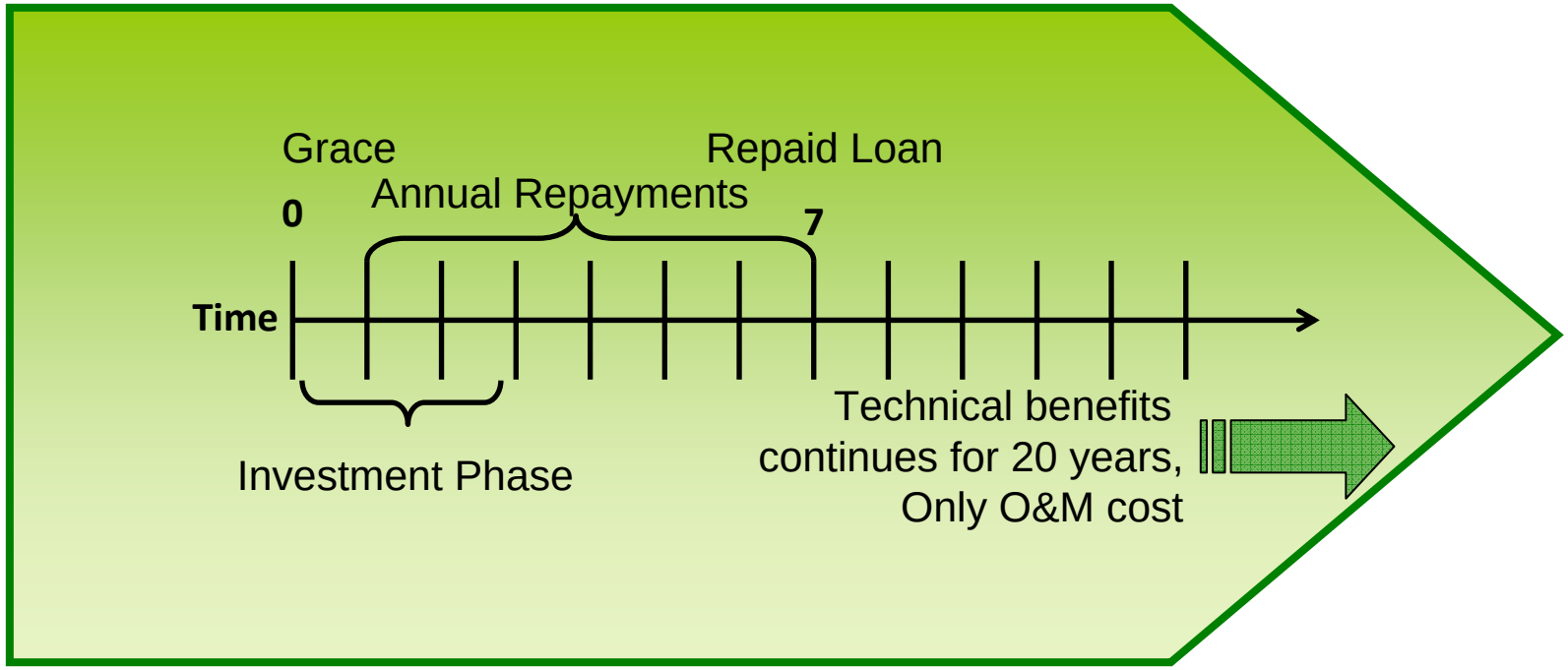
- Steering Group (SG)
  - Implemeting Agencies: e g EBRD, NIB, EIB, Nefco, WB Group
  - Recipient country (**Ukraine**)
  - Identify Eligible projects
  - Prioritise projects
  - Proposes Financing Coordination of projects
  - Proposes projects to the AoC for Decision

- Fund Management
  - Located at EBRD HQ, independent serving all Contributors
  - And Implementing Agencies

Indicative E5P Project Structure

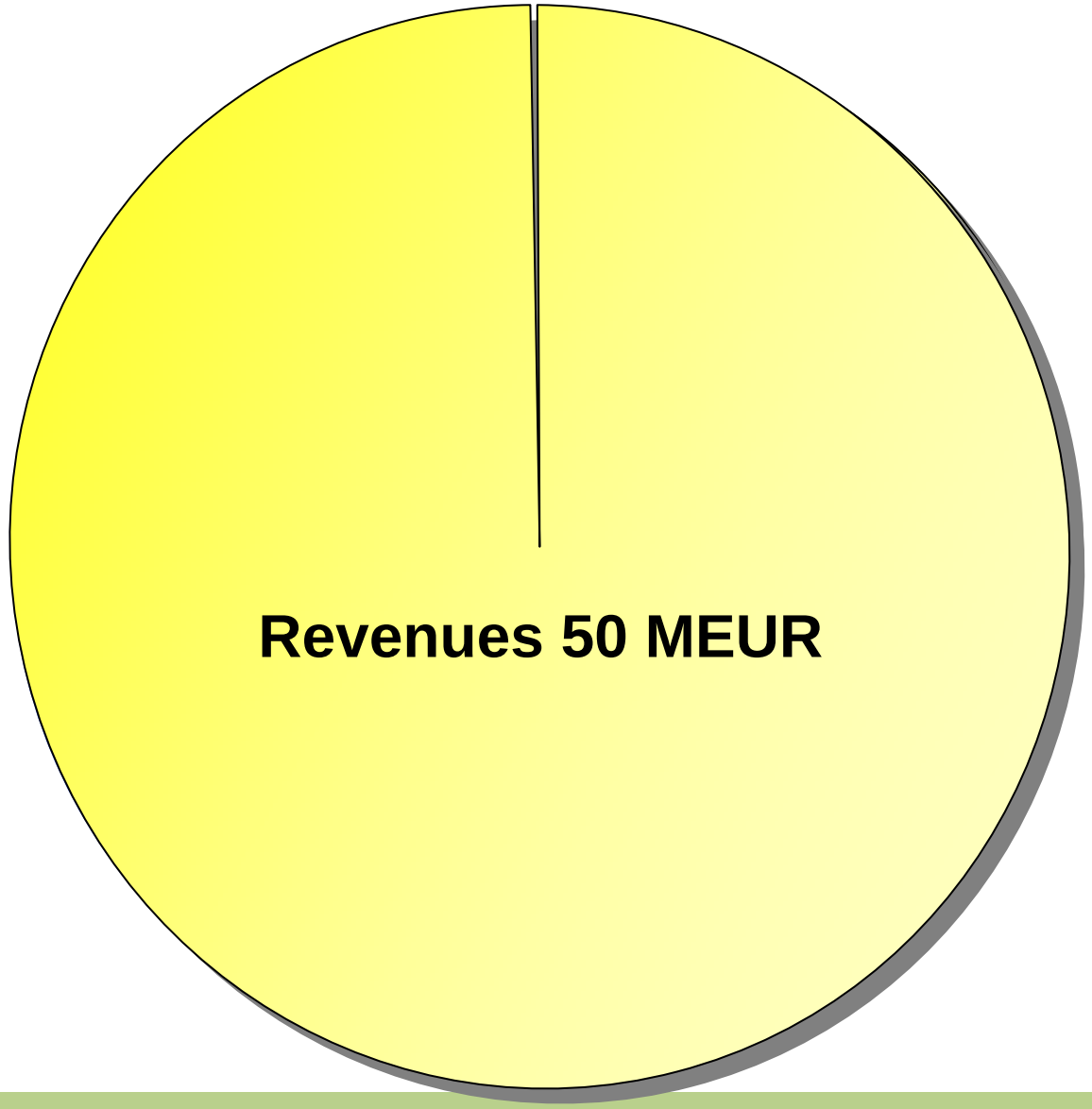


Indicative Structure of benefits and scheme

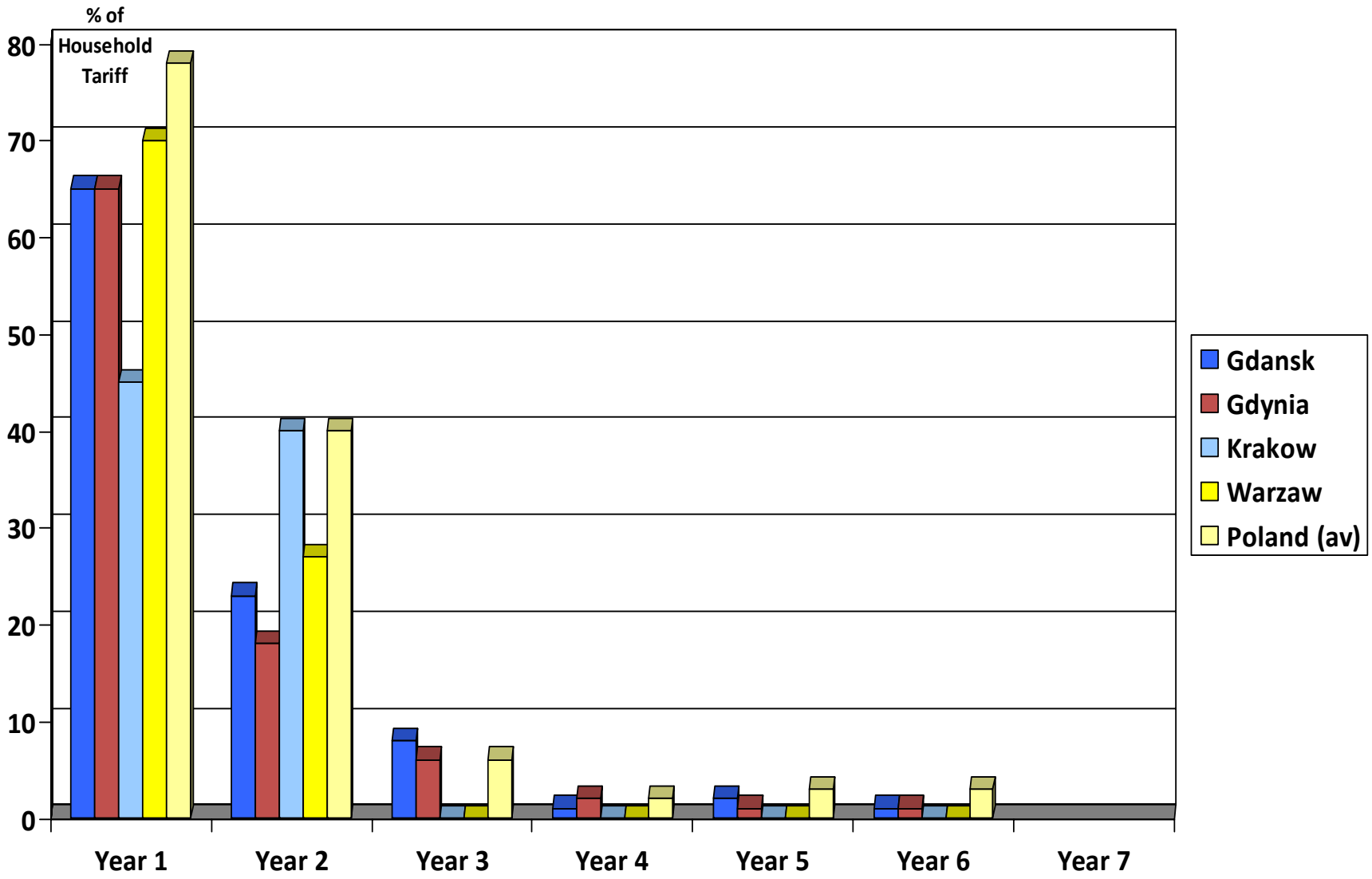


E5P Location of Proposed Projects

Typical Turnover of a Ukrainian DH Company



Case Poland, Subsidies in Tariffs. Households



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