

*Financing large and small scale renewable
energy projects – an EBRD perspective*

Renewable Energy Coordination Group 1st Meeting,
Energy Community Secretariat

Vienna 2nd March 2016



European Bank
for Reconstruction and Development

EBRD – Power and Energy Utilities

Team of ca. 35 bankers, based in London, Almaty, Amman, Belgrade, Budapest, Bucharest, Cairo, Istanbul, Kiev, Moscow, Tbilisi and Warsaw

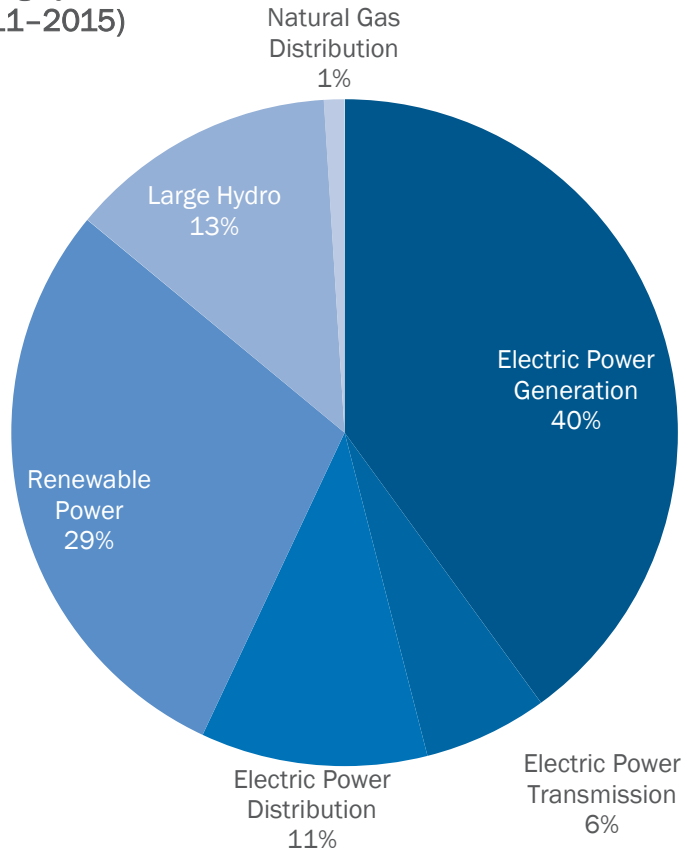
- In each of the last six years, annual power & energy investments exceeded EUR 1 bln and at least 20% of those funds went towards renewable energy generation projects.
- In 2015 the EBRD signed EUR 591 mln of financing for 13 renewables deals with a total gross project value of EUR 2.2 bln.



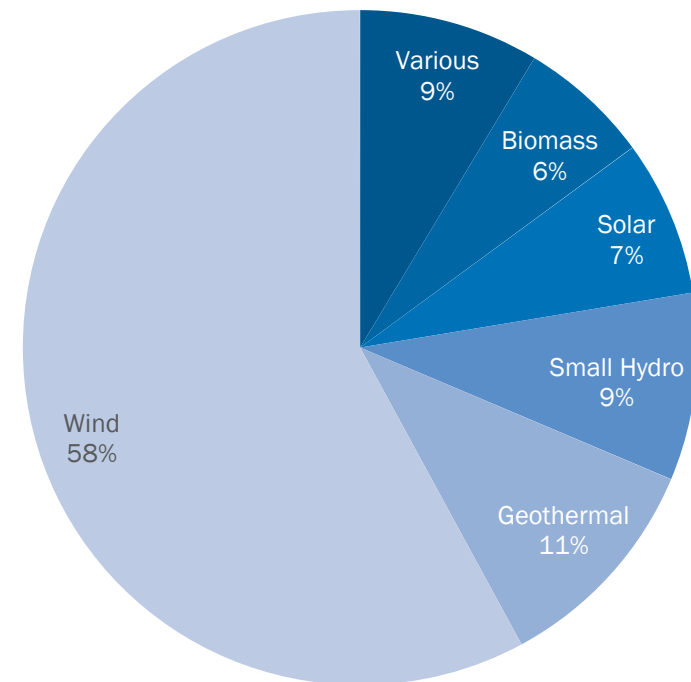
Power and Energy – Financing by sub-sector

PEU's exposure to renewables is 29% of its portfolio

Financing by Sector
(2011–2015)



Renewables - Exposure by Technology



Updated as of 31 December, 2015.
Source: EBRD data

The average renewables EBRD finance amount is **EUR 28m**, compared to **EUR 59m** for non-renewable PEU.

Regulatory frameworks should include:

- Clarity and certainty, track record: early projects may require more support either from authorities or sponsor, prefer former

Lessons learned:

- Minimizing the chances of retroactive tariff reduction via e.g. limit on total renewable generation capacity eligible for FiT.
- Change in Law / Change in Tax – lenders prefer state to take this risk.

Power and Energy financing guidelines

- The operation is located in EBRD countries of operation
- We are additional, i.e. not “crowding out” private money
- Integrity of sponsor; public concessions
- Small size (<€5m for EBRD) is difficult directly from EBRD but special facilities are available mainly for various regions e.g. Western Balkans, Cyprus, Ukraine
- Project must have positive EIRR and ENPV.
- Compliance with EU environmental standards
- Maturities between 10 to 15 years
- Flexibility on commitment amounts, but up to 35% for Project Financing, or up to 50% in framework programs
- Market pricing and security structures
- Local currency, where possible
- Syndication to commercial banks where possible or other IFIs
- Equity investments where appropriate

Large scale renewable energy projects

- EBRD finances not more than 35% of total project costs.
- Equity on the level of 30% of the total funding in current environment; equity goes in first, before bank funding.
- Therefore, another bank / IFI is needed to fully fund the project cost balance of 35%.
- Mandate letter for cost recovery
- External consultancy engaged by or on behalf of the bank: environmental, technical, legal due diligence, resource assessment.
- Reasonable contracting arrangements, reputable EPC and O&M contractors as well as certified equipment manufacturer.
- Permits and licenses as CP to first disbursement; lenders' monitor
- Possible: Cash sweep, dividend lock up, hedging, sponsor support

Small scale renewable energy projects

- Small projects are financed under number of EBRD's frameworks including WeBSEDF (Western Balkans) and USELF (Ukraine).
- Simplified approval process: delegated from Board up to EUR 10mln
- Credit lines to banks who then use the funds for project finance on micro projects are also a possibility.
- EBRD is able to channel grant funds to cover part of the development costs – due diligence, legal, environmental etc.
- Part of due diligence can be done in-house by EBRD's teams of specialists, which include engineers.
- Additional debt funding available via EBRD from other sources (CTF, other co-financing).
- Possible availability of Soft Loan or Incentive Payments
- Structuring similar to large projects

Example WeBSEDFE in the Western Balkans (Similar to USELF in Ukraine)

- Under the WeBSEDFE, EBRD financed 15 small scale renewable projects in 6 different Countries for a total loan amount of EUR 63.9m.
- In total 60 MW of generation capacity, which lead to emission reduction of approximately 442.000 tons of CO₂ per annum.
- Project financing or senior loans are in the range from EUR 2m to EUR 6m with average (expected) maturity of 12-15 years.
- Eligible Renewable Energy projects (predominantly greenfield projects of up to 10 MWe) – run-of-river hydro power plants, wind mills, solar PV plants, biomass-fired units, geothermal, biogas, etc.
- Availability of Incentive payment upon technical completion up to 10% of the loan principal.
- TC Supported by TC funds for project identification and preparation
- Additional info available at <http://www.websedff.com>

Thank you for you attention



European Bank
for Reconstruction and Development

For all further enquiries, please contact:

Louis Borgo
Senior Banker
Power & Energy Utilities
Tel: + 44 207 338 6000
Email: BorgoL@ebrd.com

EBRD, One Exchange Square
London, EC2A 2JN UK
www.ebrd.com

