



Bulgarian Energy Efficiency Fund

# Accessible Financing Instruments for Energy Efficiency and Renewable Energy Projects

## Dimitar Dukov

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# **Bulgarian EE Market Snapshot**

## **Financiers**

### **Mainstream lending**

- ▽ Commercial banks
- ▽ Operating and financial leases

### **Specialized EE credit lines**

- ▽ Bulgarian Energy Efficiency Fund
- ▽ EBRD BEERECL
- ▽ EBRD credit line for households
- ▽ EIB / EIF specialised credit line
- ▽ EU Structural funds

## **Developers**

- ▽ ESCOs
- ▽ Energy auditing companies
- ▽ Construction companies
- ▽ Engineering companies
- ▽ Consultants

## **Beneficiaries**

- ▽ Public sector (Municipalities)
  - ▽ Businesses
  - ▽ Residential sector



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# Bulgarian Energy Efficiency and Renewable Energy Credit Line

- ✔ **EBRD/KIDSF** is established by agreement with the EU to soften the consequences of the early decommissioning of the Kozloduy NPP reactors
- ✔ Finance EE projects and RES projects of companies (incl. municipal companies/utilities)
- ✔ 7 servicing commercial banks
- ✔ Market based interest rate
- ✔ Loans usually up to € 2 million
- ✔ Subsidies to the client:
  - up to 15% for energy efficiency projects
  - up to 30% for RES projects
- ✔ Volume: € 200 000 000



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# The Bulgarian Energy Efficiency Fund (BEEF)

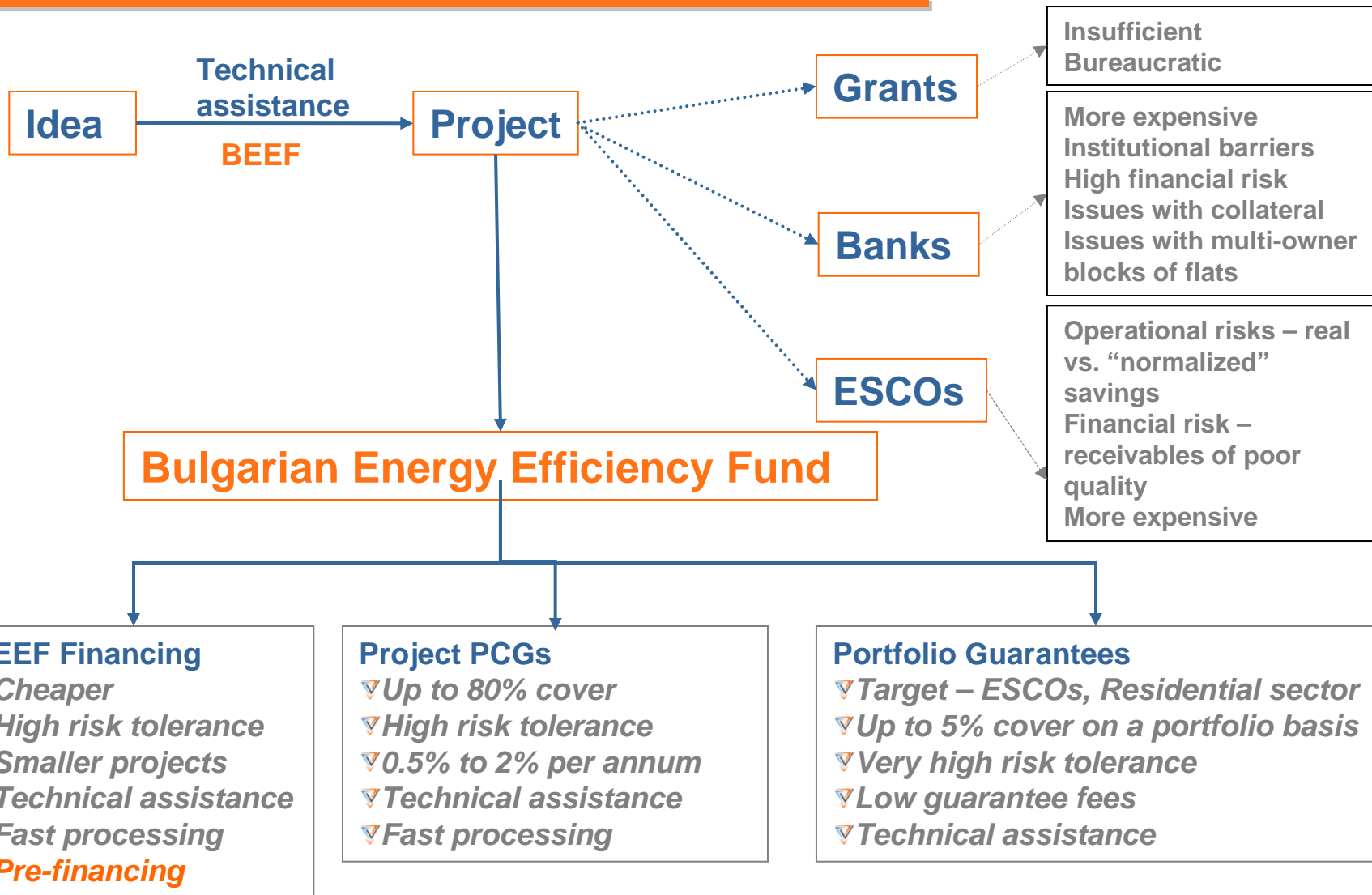
BEEF is a revolving mechanism for **development and financing** of commercially viable projects and capacity building

- ▽ Established pursuant to Energy Efficiency Act
- ▽ Initial capitalization – approx. **BGN 22 million (\$15 m)**
- ▽ Donations from the World Bank (Global Environment Facility), Bulgarian Government, Government of Austria, Eurobank EFG, “Lukoil” AD, Brunata Bulgaria, Enemona AD

**Main Objective: Development of the Bulgarian energy efficiency market**



# Rationale Behind BEEF



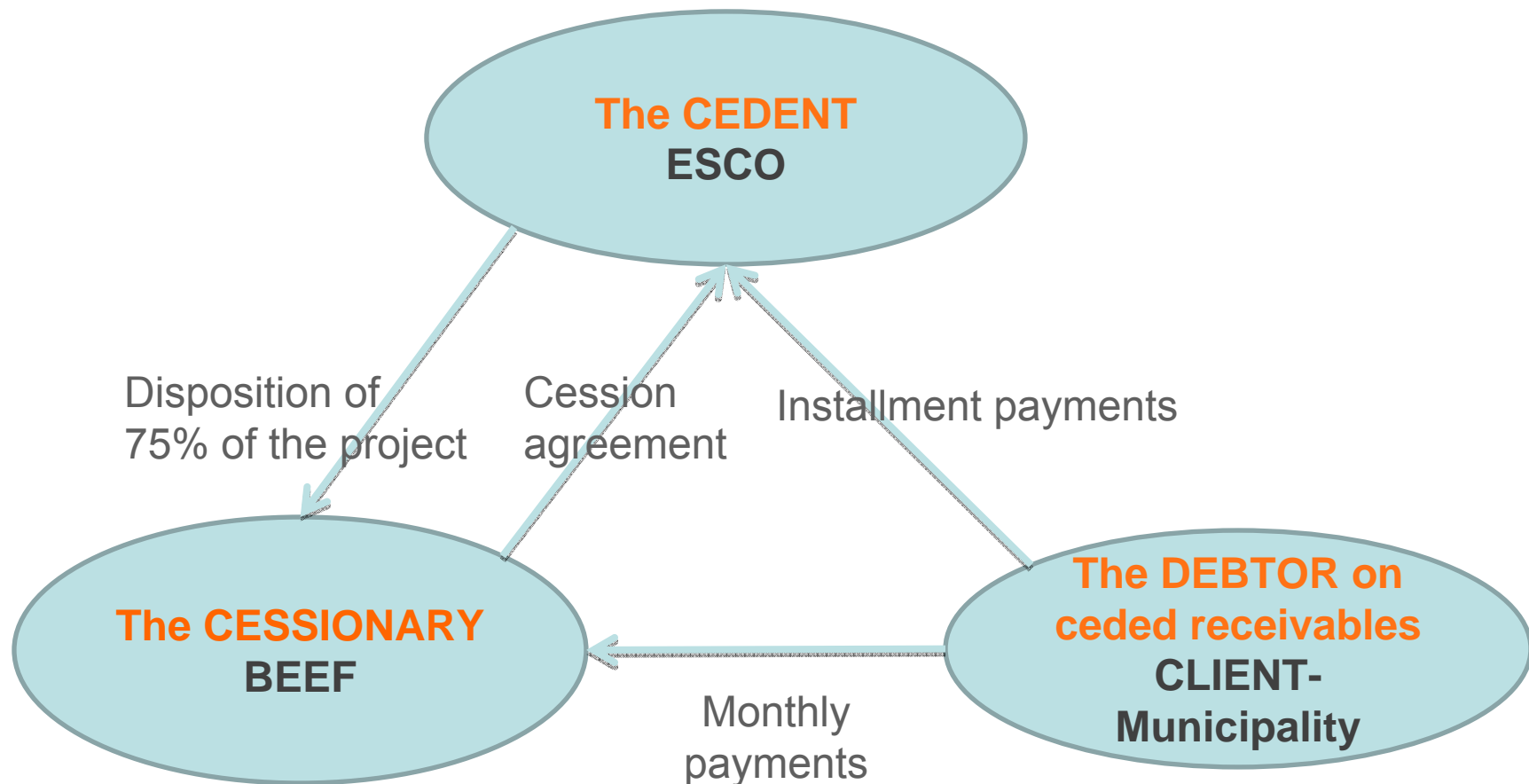


## The Market Role of BEEF

- ✔ Flexible financing schemes for clients
- ✔ Facilitation of creation of ESCOs through cheap financing and high risk tolerance
- ✔ Portfolio guarantees to ESCOs in public and industrial sector – risk sharing with BEEF
- ✔ EE in residential sector – direct lending and portfolio guarantees
- ✔ EE investments from EU Funds – pre-financing



# Example for Flexible Approach to ESCOs– Cession Scheme





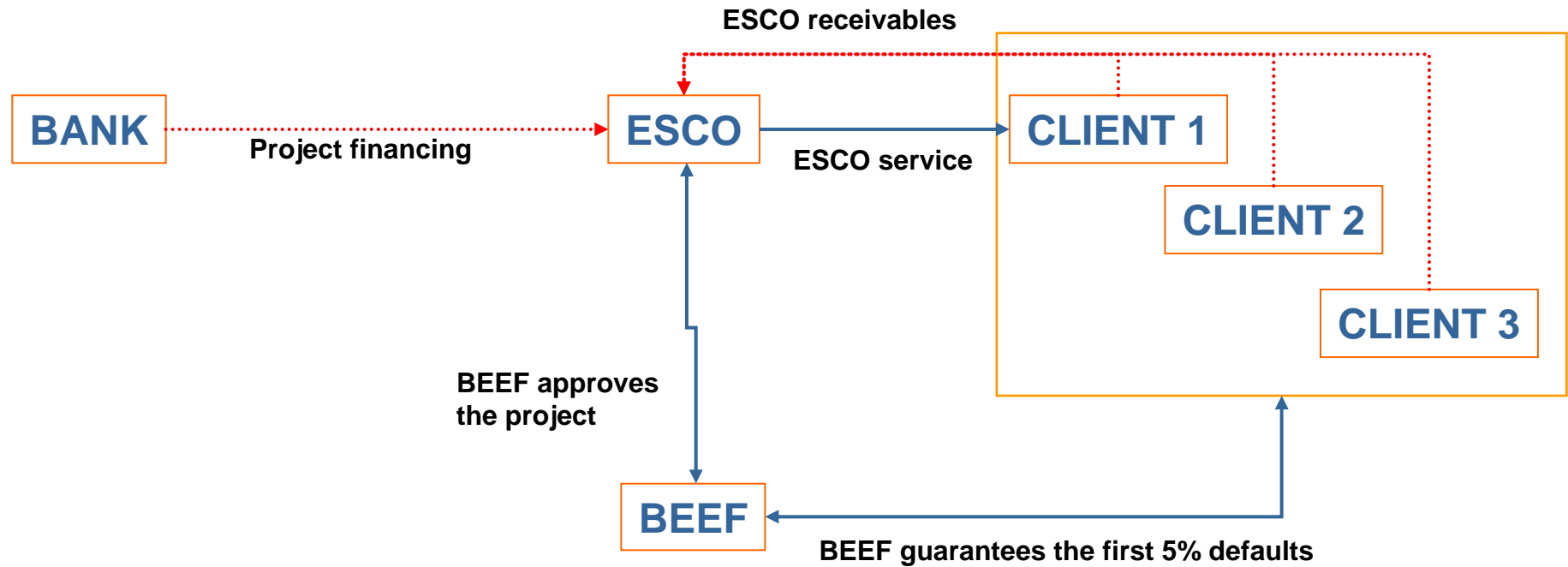
# Specialized Products for Financing ESCO Operations - Portfolio Guarantees

- ▼ Guarantees the **first 5% of defaults** in the portfolio of projects
- ▼ Applications
  - ▼ ESCO companies to guarantee the receivables from their clients
  - ▼ Commercial banks
- ▼ Instrument of **average financial risk**, which is statistically measurable
- ▼ **Un-collateralized**
- ▼ Small guarantee covers large number of projects (e.g. guarantee for BGN 500 000 can cover 10 million portfolio)

**First Portfolio Guarantee for Bulgaria** – signed between BEEF and Energetics and Energy Savings Fund SPV (EESF) in April, 2008



# ESCO Application



Portfolio: BGN 16 000 000  
BEEF Guarantee: BGN 800 000 (5% of portfolio)  
Maturity: 7 years



# Preconditions for EE and RES Market Development

- ✔ **Market based** energy prices
- ✔ **Feed-in tariffs** encouraging investments in RES
- ✔ **Flexible approach** to financing energy efficiency and RES
- ✔ Take on **more project and client risks**
- ✔ **Customize the financial products** to the client's needs
- ✔ Promote the establishment of **new ESCOs**
- ✔ Set **partnerships with commercial banks**
- ✔ Provide **technical assistance** for project development



## Summary Results as of 31.07.2010

	Number	Project size (BGN million)	BEEF financing (BGN million)
<b>Projects financed total</b>	81	33.1	22.6
Municipalities	36	16.1	11.2
Corporate clients	34	10.2	6.8
Universities and Hospitals	11	6.8	4.5

- ▼ **“The most successful new fund in Eastern Europe”** –  
The World Bank, 2006
- ▼ **“The best specialized institution for financing EE projects”** –  
Energy Efficiency Agency, 2006
- ▼ **“The institution with “best practice” in financing EE projects”** –  
The World Bank, 2007



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**Thank you for your attention!**

**Contacts:**

“Kuzman Shapkarev” str. № 4

Sofia 1000, Bulgaria

tel: +359 (2) 81 000 80

fax: +359 (2) 958 15 23

e-mail: [info@bgeef.com](mailto:info@bgeef.com)

Web: [www.bgeef.com](http://www.bgeef.com)