Financing Energy Efficiency and Renewable Energy Investments in countries of Eastern and South-Eastern Europe and Central Asia

Oleg Dzioubinski
EE21 Programme Manager
Sustainable Energy Division

Committee on Environmental Policy
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Committee on Sustainable Energy

- Energy Security Dialogue
- Working Party on Gas
- Gas Centre
- Energy Efficiency 21 Programme
  - Group of Experts on Energy Efficiency Investments for Climate Change Mitigation
  - Group of Experts on Global Energy Efficiency 21
- Group of Experts on Cleaner Electricity Production
- Group of Experts on Coal Mine Methane (CMM)
- Group of Experts on Harmonization of Fossil Energy and Mineral Resources Terminology
Energy Efficiency 21 (EE21) Programme

- Launched in 1991
- Seventh 3-year phase of the Project (2009-2012)
- General Objective: To enhance regional cooperation on energy efficiency market formation and investment project development to reduce greenhouse gas emissions in economies in transition
- Ten regional, sub-regional, country-oriented and interregional projects
Financing Energy Efficiency Investments for Climate Change Mitigation (FEEI) Project

Long-Term Objective

Promote an investment environment for self-sustaining energy efficiency and renewable energy projects to be developed and financed to reduce greenhouse gas emissions

Activities

- Source of financing with dedicated investment funds
- Training to help establish bankable project proposals
- Institutional and policy reforms
- Establishing network of energy efficiency managers

Duration and Funding

- 4 years (2008-2011); US$ 7.5 million
Financing Energy Efficiency Investments for Climate Change Mitigation (FEEI) Project

- **Co-funding**
  - United Nations Foundation
    US$ 2 million
  - Fonds Français pour l’Environnement Mondial
    US$ 2.5 million
  - UNEP/Global Environment Facility
    US$ 3 million

- **12 participating countries**
  - 2 European Union countries: Bulgaria, Romania
  - 5 South-Eastern European countries: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Serbia
  - 5 countries of Eastern Europe and Central Asia: Belarus, Republic of Moldova, Kazakhstan, Russian Federation, Ukraine
European Clean Energy Fund – Conning

- Officially launched in April 2007 under the EE21 Programme mandate
  - Investment capital of €354 million. Will close early 2011
  - Mezzanine and equity capital on market terms
  - 27 European Union member states

- ECEF targets clean energy projects
  - Renewable energy: wind, solar, biomass
  - Electricity sector: hydro-electric, cogeneration, combined cycle
  - Fuel switching, geothermal, clean coal, waste-to-energy, district heating
Structure of the new Investment Fund

*Bringing a “business as usual” fund by further market formation in the UNECE region*

Terms of transaction:
- **Targeted capital:** € 250 million
  - Public–Private Partnership
  - Equity and mezzanine financing
- **Targeted countries:**
  - EU: Bulgaria, Romania
  - South-Eastern Europe: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Serbia
  - Eastern Europe and Central Asia: Belarus, Kazakhstan, Republic of Moldova, Russian Federation, Ukraine
- **Investment terms:**
  - Market standard terms for projects
  - Market standard terms for investors
Financing modalities of the new Investment Fund

- **Examples of projects**
  - Cogeneration, fuel switching, boilers refurbishment, district heating rehabilitation, street lighting renovation
  - Renewable energy: wind, solar, biofuels, biomass
  - Energy efficient technologies

- **Bundling schemes for smaller projects**
  - e.g. ESCOs, local partners or other SPVs (Special Purpose Vehicles)

- **Create a mechanism for active interaction also with development and commercial lenders**

- **Implement a project support framework for the generation of market standard project documents**
Recent developments in the Investment Fund Design

Conning Asset Management Limited

- Draft Financing Coordination Agreement prepared
- Lead Investor and Investment Fund Manager identified
- Missions to countries conducted (Project Developers, Banks, Government Officials, Local Experts)
Regional Analysis of Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments

- Full electronic version (in English) is available at UNECE and FEEI project websites:

- Executive Summary published in English and Russian

The project aims to achieve:

- Reduction of 10 million tons of GHG emissions a year
- Considerable energy savings
- Reduction of transaction costs by the use of the necessary standards and reforms to make energy efficiency projects business-as-usual
- Replication and scalability of such investment funds
- Extension of the EE21 Programme to the other UN Regional Commissions
Global Energy Efficiency 21 (GEE21) Project

Objectives

- Systematic exchange of experience between UN Regional Commissions
- Capacity building and policy reforms
- Investment project finance for EE and RE projects
- Development of a Global Strategy for market formation in the area of EE and RE
Parallel event to the Ministerial Conference on Environment and Development (MCED-6), organized by ESCAP

Co-organizers: UNECE, ESCAP, UNDP, UNEP, Government of Kazakhstan

EE21 Projects: FEEI, GEE21, Renewable energy in CIS, EE in Housing Action Plan, Wood Energy

Website of the Forum:

http://www.unece.org/energy/se/docs/eneff_AstanaEEForum_Sept10.html
International Energy Efficiency Forum Objectives

- Assessment of energy efficiency (EE) and renewable energy (RE) policy and legislative frameworks
- Analysis of international best practices in EE and RE
- Status and potential of EE and RE in various economic sectors
- Energy efficiency in the residential and municipal sector
- Ways and means of financing EE and RE investments
International Energy Efficiency Forum Outcomes

- Buildings sector offers significant low-cost opportunities for energy efficiency improvements
- Barriers to financing EE and RE discussed
- Access to various sources of financing; tapping into commercial financing
- Role of the state in making EE and RE projects viable
- Importance of capacity building to develop bankable projects
Specific examples presented: case studies in buildings sector (Croatia, Serbia); EE funds (Bulgaria, Thailand)

Experience in financing and implementing projects: IFC, EBRD, EADB, Conning Asset Management, Norsk Energi, ICF International and Renaissance Finance International

Policy reforms are directly connected with the potential for investments in EE and RE projects

Large and diverse RE potential in the CIS countries could have important benefits for the environment, energy security and the economy

Proposal to make the International Energy Efficiency Forum a regular event
Thank you for your attention!

Oleg Dzioubinski
EE21 Programme Manager
Economic Affairs Officer
Sustainable Energy Section
Sustainable Energy Division
UNECE
+41 22 917 2360
oleg.dzioubinski@unece.org
http://www.unece.org/energy/se/eneffic.html
http://feei.info