Energy Efficiency in Residential Sector of Albania & Kosovo

IFC Advisory Services in Europe and Central Asia

Tirana, Albania
July 7-8, 2014
IFC in Albania

Focus Areas

- Infrastructure
- Oil and gas
- Cement industry

• IFC's investment in Albania totaled $621 million, including $180 million in syndicated loans since 1991

• Committed investment portfolio in 2013 is $213 million in the financial sectors, industry, oil and construction.

• In 2013 additional $146 M were mobilized from partners.

• IFC’s advisory services in Albania aim to improve the investment climate, performance of private sector, access to finance, and to attract private sector participation in development of infrastructure projects.

• Energy Finance AS program present since 2009
Albania potential for energy efficiency (EE) in residential sector

Basic info about the sector

- The housing sector in Albania consume 49% of all electricity available.
- 14 million m² - The residential floor area of the building stock
- The price of electricity is increased by 66% in 2003-2010
- The energy market will be liberalized in 2015
- National Energy Efficiency Action Plan (NEEAP) goal of 9% energy savings by 2018

Residential EE potential

- €600 million - estimate Investments for Energy Efficiency of Residential sector
- 30%-50% - energy saving potential of Residential sector
- 3-7 years - average payback period for Residential EE investments
- 88% of the buildings are constructed before 1990 and require EE renovation
Challenges of EE in Albania

Challenges

- Regulatory framework
- Lack of gov. incentives to EE investments
- Lack of sectorial capacities (agencies, Auditors)
- Sector not aware of the market potential
- Banking sector lack of capacity and funds to be allocated for new products
IFC in Kosovo

Focus Areas

General Manufacturing

• Cement industry
• Mining

Operates in Kosovo since 2009

• Total committed investment portfolio over $20 million in the financial sectors and manufacturing.
• In 2013 additional $369M were mobilized from partners.
• Other active advisory work includes Investment Climate including Trade Logistics, Renewable Energy, PPP Infra, Corporate Governance and Financial Literacy.
• Sustainable Energy Finance AS program present since 2014
Kosovo potential for energy efficiency (EE) in residential sector

### Basic info about the sector

- **48%** - The building sector energy consumption as share to total consumption
- **45% / 44%** - Energy sources for Residential sector - Biomass / Electricity
- **37 million m2** - The residential floor area of the building stock
- **79%** - Household buildings over 20 years old
- National Energy Efficiency Action Plan (NEEAP) was adopted with the goal of **9% energy savings by 2018**

### Residential EE potential

- **€ 1.12 bn** - estimate Investments for Energy Efficiency of Residential sector
- **46.1%** - energy saving potential of Residential sector
- **5.85 years** - average payback period for Residential EE investments
- One-story houses - focus subcategory for banks with the biggest amount of Investments needed (460 Million Euro)
- Progress has been made in terms of the legal and regulatory basis for EE improvements in Kosovo
Solutions for energy efficiency (EE) in Kosovo residential sector

Yearly investment required for each EE measure for each energy service in the Residential Sector (€ million)
Limitation factors faced by implementers of EE projects

- **Energy scarcity** and increasing energy prices
- Unawareness of available technologies and benefits of application
- Lack of awareness of real economics of properly designed projects
- **Gradual need for retrofits/upgrade** of essential systems incl. buildings and SME/corporate premises
- New business opportunities for contractors/equipment vendors/ESCos
- **Payback** periods
- **Financing**
IFC Sustainable Energy Finance Programs

Advisory (AS)

- Product Development
- Trainings for staff
  - loan officers,
  - credit risk managers,
  - marketing personnel
- SEF calculator
- Marketing activities

- Project assessment support
- Pipeline Development
- Seminars
- Work with contractors/vendors

Investment (IS)

- Risk Positions at the Level of the Bank:
  - Credit lines
  - Equity
  - Subordinated debt
  - Currency swap
  - Trade finance

- Risk Positions at the Level of the Underlying Assets:
  - Guarantees
  - Portfolio Risk Sharing
  - Direct Co-financing

• Financial Products
  • Local Financial Institution
  • Bank Loans to EE/RE Projects
  • Project A
  • Project B
  • Project C

• Portfolio of EE/RE Projects

• Portfolio of EE/RE Projects

• Product Development
• Trainings for staff
  - loan officers,
  - credit risk managers,
  - marketing personnel
• SEF calculator
• Marketing activities
General implementation components

Awareness raising and knowledge sharing

1. Round tables/workshops
2. Knowledge sharing
3. Brochures/booklet
4. Media appearances
5. REE fair

Sectorial Support

1. Training for Residential EE auditors
2. Regulatory work on Energy Efficiency by-laws
## Taking advantage of IFC advisory support

### Principal Benefits

<table>
<thead>
<tr>
<th>For banks</th>
<th>For companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Expanded business and more effective work</td>
<td>• Higher resource efficiency</td>
</tr>
<tr>
<td>with existing client base</td>
<td>• Greater cash flow due to energy cost saving</td>
</tr>
<tr>
<td>• Stronger market position thanks to</td>
<td>• Reduced costs in parallel with higher</td>
</tr>
<tr>
<td>competitive differentiation</td>
<td>product/service quality and stronger</td>
</tr>
<tr>
<td>• Increased credit portfolio</td>
<td>competitiveness</td>
</tr>
<tr>
<td>• Lower credit and technological risks</td>
<td>• Better control over internal processes</td>
</tr>
<tr>
<td>• Business model to be up-scaled ( from</td>
<td>• Reduced impact of processes on the</td>
</tr>
<tr>
<td>individual EE lending to MFB lending)</td>
<td>environment</td>
</tr>
<tr>
<td>• Business perceived as socially responsible</td>
<td></td>
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</tbody>
</table>
AS and IS banking projects related to SEF product
EMENA region

Examples of advisory projects

<table>
<thead>
<tr>
<th>Bank/Project</th>
<th>Amount</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erste Bank</td>
<td>USD 18 million</td>
<td>2011</td>
</tr>
<tr>
<td>Banque Libano-Francaise</td>
<td>USD 20 million</td>
<td>2010</td>
</tr>
<tr>
<td>SME Bank</td>
<td>USD 20 million</td>
<td>2011</td>
</tr>
<tr>
<td>Prime Finance Bank</td>
<td>USD 20 million</td>
<td>2009</td>
</tr>
<tr>
<td>Agropromcredit Bank</td>
<td>USD 10 million</td>
<td>2009</td>
</tr>
<tr>
<td>Tatfondbank</td>
<td>USD 8 million</td>
<td>2008</td>
</tr>
<tr>
<td>Societe Generale Albania</td>
<td>USD 35 million</td>
<td>2008</td>
</tr>
<tr>
<td>Erste Bank</td>
<td>USD 53 million</td>
<td>2008</td>
</tr>
<tr>
<td>Societe Generale Albania</td>
<td>USD 35 million</td>
<td>2007</td>
</tr>
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</table>

Examples of IS – AS joint projects: IFC financing + consultations

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<thead>
<tr>
<th>Bank/Project</th>
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<tbody>
<tr>
<td>TCB Bank</td>
<td>USD 18 million</td>
<td>2011</td>
</tr>
<tr>
<td>LOCKO-Bank</td>
<td>USD 20 million</td>
<td>2010</td>
</tr>
<tr>
<td>Credit Bank of Moscow</td>
<td>USD 20 million</td>
<td>2010</td>
</tr>
<tr>
<td>Center-Invest Bank</td>
<td>USD 10 million</td>
<td>2010</td>
</tr>
<tr>
<td>NBD Bank</td>
<td>USD 8 million</td>
<td>2008</td>
</tr>
<tr>
<td>MDM Bank</td>
<td>USD 50 million</td>
<td>2008</td>
</tr>
<tr>
<td>URSA Bank</td>
<td>USD 53 million</td>
<td>2008</td>
</tr>
</tbody>
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<table>
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<tr>
<th>Bank/Project</th>
<th>Amount</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tamweelcom</td>
<td>USD 3 million</td>
<td>2011</td>
</tr>
<tr>
<td>AmericaBank</td>
<td>USD 15 million</td>
<td>2010</td>
</tr>
<tr>
<td>MTBank</td>
<td>USD 10 million</td>
<td>2011</td>
</tr>
<tr>
<td>Bank Respublika</td>
<td>USD 15 million</td>
<td>2013</td>
</tr>
<tr>
<td>Credins Bank</td>
<td>USD 13.3 million</td>
<td>2012</td>
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Example of EE Advisory
Credins Bank (Albania)

2010-2012

Bank’s need:
• Increase micro loans business and implement modern banking products

IFC Solution:
• Residential Energy Efficiency Finance Program
• Specialized program with a focus on bank needs in this area: delivery of manuals and tools, training on financial & technical aspects of energy efficiency investments in residential sector

Outcome:
• About USD 5 million in retail EE loans to more than 1,000 customers since 2011
• Advisory Services led Investment transaction with Credins Bank for EUR 10 mln
Key sucess factors to EE lending

- Internal Awareness of the Bank
  - Adaptation of "Green Bank" image - Energy Efficiency is not just business but also Social Responsibility

- Creating internal support structures at the Bank
  - Dedicated group of internal experts

- Financial incentives when the Bank launch the product
  - Favorable loan conditions

- Know your client
  - Each individual client has specific energy needs

- Specialized technical assistance
  - EE Lending is a new business, unlike classical Lending
  - Market research study to be obtained ahead- strategy and product development
  - Continuous training courses of staff
  - Marketing support and network equipment vendor of EE
Thank you!

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