

EBRD SUSTAINABLE ENERGY FINANCING

Moldova Sustainable Energy Financing Facility

(MoSEFF)

September 2009

*Supported by Grant funding from
the European Union*



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Barriers to sustainable energy financing for banks

- Uncertainties about market demand from companies for energy efficiency financing
- Lack of technical expertise for appraisal and risk assessment;
- No specific marketing or financing for such activities;
- Tenors longer than those of normal business lending may be necessary for financing;

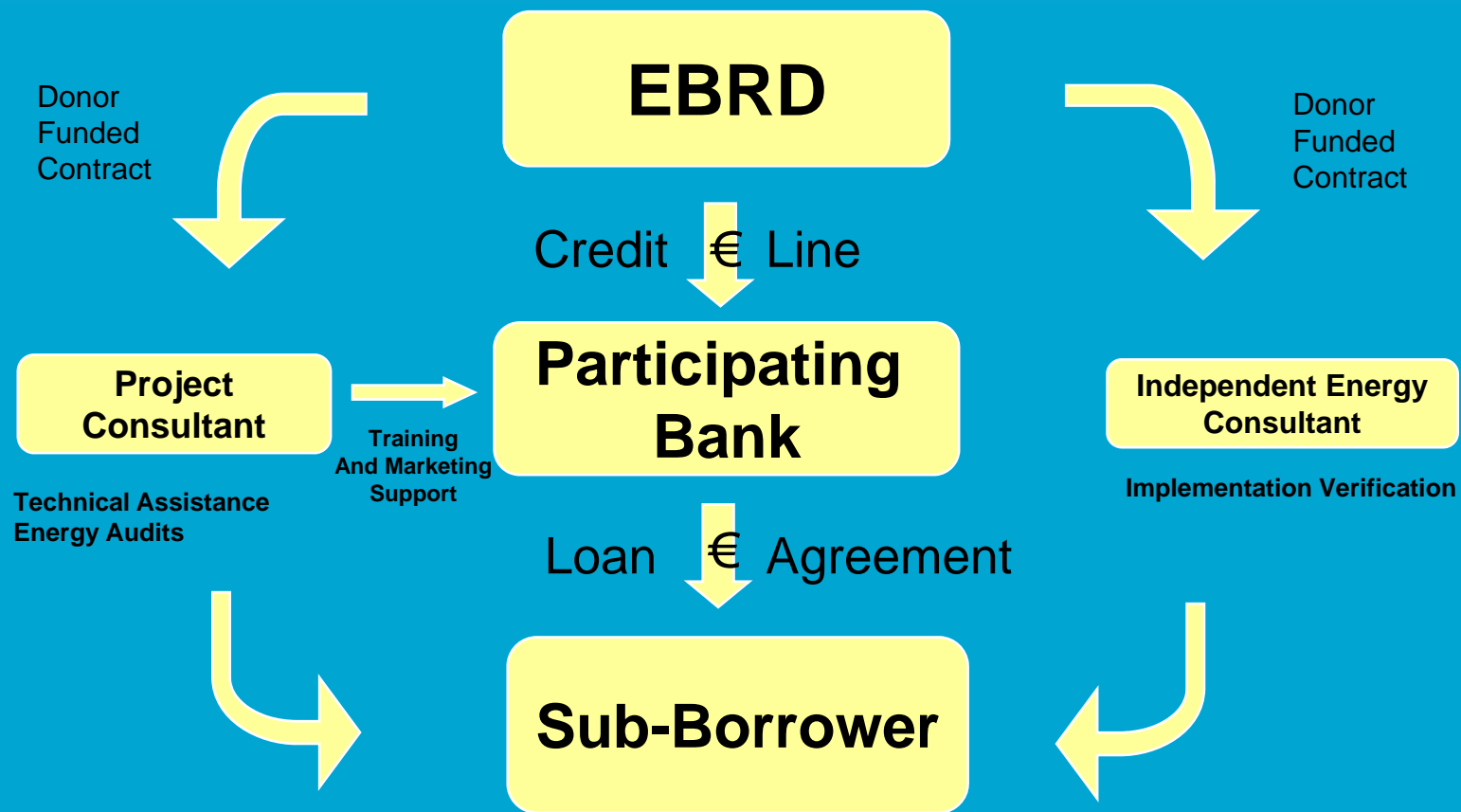


Barriers to sustainable energy investments for Sub-borrowers

- Low awareness of energy efficiency.
- Tendency to focus on core business and short term objectives. Expansion investments are perceived as more attractive;
- Uncertainty and lack of information about available options and their financial reward;
- Energy bill as a proportion of cost base may not be high enough for efficiency improvements to be a priority. Future tariff increases or environmental obligations are not taken into account;
- A limited market for energy saving technologies in Moldova;
- The absence of effective support mechanisms for sustainable energy in Moldova;



Structure of the facility



** Incentive payments paid upon completion of investments to Participating Banks and Sub-borrowers*



Sustainable Energy Financing Facilities through financial intermediaries

- Credit lines through partner banks for on-lending to investments in sustainable energy (in case of MoSEFF the focus will be on Energy Efficiency (EE) in industries, agribusiness and commercial buildings as well as Renewable Energy (RE) production).
- Donor (EU TACIS) funded technical assistance from specialised consultants to Sub-borrowers and Participating Banks
- Incentive payments paid to Participating Banks and completion fees paid to Sub-borrowers upon successful implementation of eligible investments
- Successful track record in Bulgaria (€155 million industrial EE and RE framework & €50 million residential EE framework)
- SEFFs are currently at the implementation stage also in Ukraine (industry), Russia (industry), Georgia (industry and residential), Slovakia (industry and housing associations), Romania (industry), Western Balkans (industry), Hungary and Slovakia (municipalities) and Kazakhstan (industry).



MoSEFF Eligibility Criteria

- **For Participating Banks**
 - Subject to the usual EBRD due diligence
- **For Sub-borrowers**
 - Privately owned enterprises, firms, business, sole proprietors or other private legal entities in Moldova
 - Subject to credit approval in line with the Participating Bank's credit process
 - No gambling, real estate, banking, insurance or the manufacture and trade in arms etc.
- **For Investments (Sub-projects)**
 - Projects leading to reduction in energy consumption / improvement of energy performance in industries, agribusiness and commercial buildings
 - Investment up to €2 million and Sub-loan size of €25,000 - €2 million
 - Compliance with national environmental legislations (or relevant EU directives)
 - Minimum performance in energy savings/reduction of CO₂ emission
 - Criteria on minimum IRR- for large projects only (i.e. over €150,000)



Examples of eligible Sub-projects

- Rehabilitation and up-grade of heat&power energy systems, boilers, HVAC, MEI, control and automation;
- Process improvements including enhanced control, measurement and metering;
- Rehabilitation of steam distribution systems;
- Installation of new furnaces, kilns, ovens, etc;
- Installation of heat recovery from processes (e.g., economizers, heat recovery, etc.);
- Rehabilitation of compressed air systems (e.g., decentralisation and/or resizing of air compressors, replacing of old air compressors with new efficient ones)
- Rehabilitation of power distribution systems (e.g., replacement of old or oversized transformers, installation of capacitors to reduce reactive power consumption, etc.);



Examples of eligible Sub-projects (cont.)

- Refurbishment of heat and power distribution systems: pipelines, cabling;
- Hydraulic balancing of heating and cooling distribution systems;
- Additional thermal insulation of building envelope and technology equipment;
- Installation of new windows and glazing;
- Biomass&Biogas heat only and CHP plants (communal solid waste, waste water, animal breeding manure, agricultural waste)
- Solar thermal installations
- Other “soft” measures: installation of rolling doors or door lockers, etc;



Technical Assistance

- **Project Consultant (PC): Fichtner GmbH, Germany**

Consultancy firm working with the Participating Banks and Sub-borrowers to identify and confirm eligible sub-projects, conduct Energy Audits (for large sub-projects) or Energy Performance Assessment (for small sub-projects), assist on loan applications, undertake marketing activities, train loan officers and facilitates optimal uptake and utilisation of the facility.

- **Independent Energy Consultant (IEC)**

Consultancy firm to verify implementation of projects and confirm compliance with eligibility criteria. Necessary for providing incentive payment to Sub-borrowers and Participating Banks.



Incentive Payments

For Participating Banks

Fees will be paid to Participating Banks upon disbursement and completion of eligible sub-loans as an incentive to roll-out the facility and to compensate for additional monitoring & reporting requirements during the first two years of the availability period. Fees to participating banks will be paid semi-annually.

- *Following each disbursement the bank receives [up to 2%] *of the disbursed Sub-loan amounts as “Up-front Fees”*
- *Upon successful completion of each Sub-project the bank receives [up to 1%] *of the Sub-loan amount as “Success Fees”*

** The level of Up-front Fees and Success Fees will be substantially reduced for Participating Banks which will join MoSEFF after 1 July 2010*



Incentive Payments

For Sub-borrowers

Completion Fees as below will be paid to sub-borrowers upon successful completion of eligible investments.

Small EE / RE projects

(i.e. investment costs up to €150,000)

10% of Sub-loan amount in general

20%, if Best Available Techniques are used in comprehensive manner

Large EE projects

(i.e. investment costs above €150,000)

10 -20 % of Sub-loan amount depending on the level of energy savings/reduction of CO₂ emission

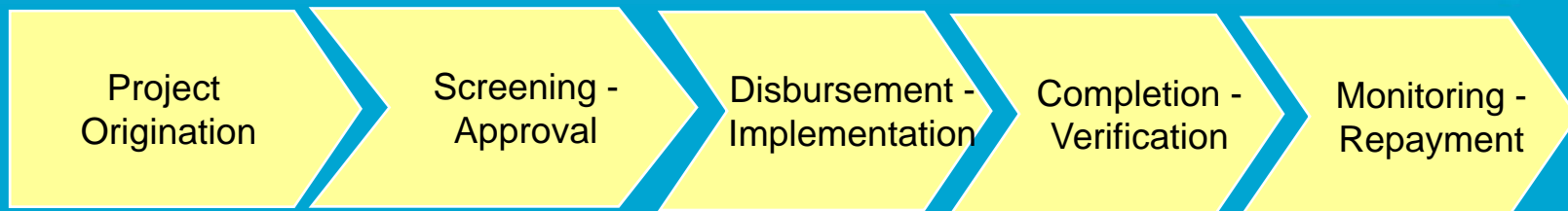
Large RE projects

(i.e. investment costs above €150,000)

5-15% of Sub-loan amount depending on the estimated output of clean energy to be generated



Project Life-Cycle



Project Consultant	Energy Audit or Energy Performance Assessment (EPA) Eligibility Check	Monitoring, Reporting		
Independent Energy Consultant			Verifies Completion	
Participating Bank	Credit Approval	Receives Up-front Fee	Receives Success Fee	Monitoring-Reporting
Sub-borrower	Loan Application	Implements Sub-project	Receives Completion Fee	Repays loan



Eligibility Check and Verification

Eligibility Check by PC

- Small sub-projects (up to €150,000) – Simplified approach based on the pre-approved list of Eligible Products, Components and Systems. PC will prepare EPA and confirm the eligibility within 2 working days from application
- Large sub-projects (above €150,000) – PC will conduct Energy Audit prior to application. PC will confirm the eligibility within 2 weeks from application

Verification by IEC

- Small sub-projects – Desk-based verification with limited spot checking (approximately 10% of sub-projects)
- Large sub-projects – verification through site visit



Next Steps

- Consultants to settle in Moldova (Sept. 2009)
- Commitment of interest from local banks (Sept.-Oct. 2009)
- Loan agreements with Participating Banks (Nov. 2009)
- First projects financed (Dec. 2009 – Jan. 2010)



Thank you

Looking forward for good projects and
successful cooperation
within
MoSEFF

