

The EBRD and the CTF

Integrating the CTF
into a proven model

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The EBRD Sustainable Energy Initiative (SEI)

Responds to the specific needs of the EBRD countries of operations scaling-up climate change mitigation investment.

SEI was launched in 2006 with objective to:

- double investments in sustainable energy to € 1.5 billion in 2006-08.
- diversification across sectors and regions
- scale up delivery and “mainstream” climate in the Bank’s operations

SEI Results to date:

- As of end November 2008, SEI financing had reached over **€ 2.4 billion** through **140 projects** across all SEI sectors, **exceeding original three-year target by 65%**.



The SEI: key ingredients

- **Mainstreaming inside the Bank**

- Integrated into banking team business plans supported by specialised Energy Efficiency and Climate Change team
- Systematic screening of projects entering the pipeline for energy efficiency and carbon finance opportunities,
- Integrated into project rating by the Office of Chief Economist

- **Investments**

- Mainly private sector, range of instruments, sound banking, transition impact

- **Policy dialogue**

- Support governments in development of institutional and regulatory frameworks that incentivise sustainable energy



Concessional financing under SEI

- **No concessional financing for projects bankable on market terms**
- **Technical assistance (funded by donors or net income) overcomes market barriers:** market analysis, energy audits, training, marketing
- **Investment subsidies**
 - Target market failures (externality) or e.g. affordability constraints
 - Provide desired incentives to maximize environmental performance
 - Leverage private finance and minimize distortions
 - Decrease over time to prevent subsidy dependence
 - Low transaction cost, predictable, easy to administer
 - Preferred form: performance premiums upon verified project completion



The SEI: six core components

- **SEI 1: Industrial Energy Efficiency** - stand-alone large energy efficiency projects with industrial clients.
- **SEI 2: Sustainable Energy Financing Facilities (SEFF)** - credit lines through local banks or multi-project direct lending facilities dedicated to small and medium size projects in industrial, residential and municipal energy efficiency and/or renewable energy.
- **SEI 3: Power and Energy Supply Efficiency** – reduction of GHG emissions in energy generation.
- **SEI 4: Renewable Energy** - direct financing of large renewable energy projects
- **SEI 5: Municipal Infrastructure Energy Efficiency** - district heating, public transport and energy efficiency in the water supply/treatment.
- **SEI 6: Carbon Finance** – CER, ERU and AAU/GIS transaction using two Carbon Credit Funds; i) MCCF, joint EBRD/ EIB initiative (€190 million) ii) The Netherlands Carbon Fund (€23 million - fully committed). Also technical assistance to promote a well-functioning carbon market.



SEI Results by Sector 2006 – 2008 (YTD)

SEI SECTOR	NUMBER OF PROJECTS	EBRD SEI FINANCING (€ MILLION)	%
INDUSTRIAL EE	44	607.8	25
EE/RES CREDIT LINES	28	321.4	13
CLEANER ENERGY PRODUCTION	17	1,001.5	41
RENEWABLE ENERGY	11	148.8	6
MUNICIPAL INFRA EE	40	336.3	14
TOTAL	140	2,415.8	100



Looking forward: EBRD and Clean Technology Fund (CTF)

- CTF is administered by the World Bank (with substantial contributions from the US, Japan, and the UK)
- EBRD expects to be involved in projects in Ukraine, Kazakhstan and Turkey, co-operating with the IBRD.



The EBRD and the CTF

- Building on the SEI but going beyond it – we intend to:
 - Bring new sectors into the SEI which are inaccessible without concessional funding, for example complex thermal rehabilitation of post-soviet multifamily buildings
 - Pursue new and cleaner technological options which are out of reach without concessional funding, for example tri-generation heat absorption in DH systems, superconducting transformers in power networks
 - Scale up existing activities using CTF funding to enhance transformational impact

