

The CEE Bankwatch Networks Mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation

REPORT ON THE EBRD'S PROGRESS TOWARDS ITS RENEWABLE ENERGY AND ENERGY EFFICIENCY TARGET

Summary

There are promising indicators that the EBRD is reaching toward the target it has set for investments in energy efficiency and renewable energy projects. A total of 12 projects signed in 2006 target energy efficiency, there is one renewable energy project and one project covering both energy efficiency and renewable energy. The total amount invested in these sectors was approximately EUR 380 million. A successful instrument to fund energy efficiency and renewable energy projects has been implemented in one of the bank's countries of operation – Bulgaria – but has not been replicated in other countries to date. One downside is we could not identify sustainability criteria being used by the EBRD in the case of renewable energy projects.

The EBRD should promote clear indicators and an evaluation procedure to verify project results regarding energy efficiency and renewable energy. The bank needs to set a separate, ambitious target for renewable energy; it should explore the feasibility of implementing successful instruments in its countries of operation, and work together with a wide range of stakeholders to identify the barriers and opportunities in this sector. The EBRD should develop sub-sectoral environmental guidelines for renewable energy projects to prevent potential negative environmental and social impacts resulting from these projects.

Findings

The analysis took into account the projects that were signed in 2006 that have a clear energy efficiency and/or renewable energy component; other projects may also bring energy efficiency benefits, but this information could not be extracted from the documents available on the EBRD's webpage. The analysis did not take into account any EBRD involvement in various carbon finance operations or funds due to a large information gap.

A total of 12 projects signed in 2006 target energy efficiency, there is one renewable energy project and one project covering both energy efficiency and renewable energy. One renewable project implemented in Armenia consists of mini-hydro plants, all under 10 MW installed capacity. The other renewable project, implemented in Bulgaria, is meant to promote any of the renewable energy sources, as defined in the EBRD's energy policy. We could not identify sustainability criteria being used by the Bank in the case of renewable energy projects.

The amounts of funding for energy efficiency or renewable energy have been identified during communication with EBRD project managers.

	Project name	Country	Total project value	EBRD share	EE	RES
			million	million	EUR million	EUR million
1	Armenian Renewable Energy Programme	Armenia	USD 15	USD 7		5.31*
2	Natron Hayat	BiH	EUR 54	EUR 11	2.7	
3	Mittal Steel Kryviy Rih	Ukraine	USD 500	USD 200	50.11	
4	HydroOGK- Modernization Loan	Russia	RUB 11400	EUR 95	95**	
5	Khanti Mansi Regional MSDP. Surgutski Rayon	Russia	EUR 40.5	EUR 23	8	

6	Vetropack Gostomel	Ukraine	USD 68	USD 68	51.63	
7	BEERECL - Energy Efficiency & Renewable Energy FW Ext	Bulgaria	EUR 55	EUR 55	20	35
8	Boni	Bulgaria	EUR 40	EUR 15	0.2	
9	Timisoara District Heating	Romania	EUR 21	EUR 15	15	
10	UKEEP - Energy Efficiency Programme for Banks ***	Ukraine	EUR 100	EUR 100	7.4	
11	Ekoenergia(Alchevsk Iron&Steel Works Cogeneration Facility)	Ukraine	USD 363.1	USD 150	113.89	
12	Krakov District Heating Project	Poland	EUR 76	EUR 5-10	10	
13	Ufa District Heating Loan	Russia	EUR 15	EUR 10	10	
14	Power Distribution Reconstruction Project	BiH	EUR 60	EUR 50	50	
				Total	338.93	40.31

* Some original figures were USD amounts. The European Central Bank exchange rate on December 29th 2007 was used, EUR 1 = USD 1.3170

** All hydro units in the project are large-scale; we do not consider large hydro projects as renewable energy, due to their multiple negative impacts.

*** One agreement was signed in December 2006 for USD 10 million, further transactions are expected to be signed in 2007.

The total amount directed towards energy efficiency and renewable energy projects shows promising signs that the EBRD is reaching toward the target it has set in this respect. The EUR 380 million figure may not be very accurate – it could be higher due to other project components involving energy efficiency that could not be taken into account, or lower as the EBRD may syndicate loans for the projects considered above.

In the energy efficiency field, the EBRD supported industrial as well as district heating projects. This field of operation is certainly praiseworthy, especially as eastern European countries have an enormous potential in energy savings both on the supply and demand side. It cannot be established at this stage whether the investments are bringing the expected results.

The EBRD's involvement in the renewable energy sector remains low obviously, as the 2006 project table shows. This is despite the fact that an apparently viable instrument has been found to fund renewable energy. It is the case of the Bulgarian Energy Efficiency and Renewable Energy Credit Line¹.

The Bulgarian Energy Efficiency and Renewable Energy Credit Line (BEERECL) has been developed by the EBRD in 2004 in cooperation with the Bulgarian government and the European Union. The facility extends loans to participating banks for on-lending to private sector companies for industrial energy efficiency and small renewable projects.

To date, 74 projects have been financed under the BEERECL, receiving loans worth more than EUR 43.4 million and worth a total project value of over EUR 70.2 million. These projects would generate annually more than 368,700 MWh of electricity and more than 430,400 MWh heat energy, over 58,400 MWh electricity savings and more than 1,610,900 GJ of heat energy savings, as well as around 358,500 tonnes of carbon emissions reductions.

EBRD has planned to establish similar facilities in Armenia and Romania, but apparently it has not succeeded in overcoming the obstacles in this respect so far.

Conclusions and recommendations

The EBRD is well on its way to reaching the target it has set for investments in energy efficiency and renewable energy projects. It cannot be established at this stage whether the investments are bringing

¹ www.beerecl.com

the expected results. Development in the renewable energy section was weak in 2006, and the bulk of investments went to energy efficiency projects, as well as energy efficiency components of various projects.

One recommendation is to promote clear indicators and an evaluation procedure to verify project results regarding energy efficiency and renewable energy.

It is not the aim of this paper to substantiate the necessity to replace fossil fuels and nuclear power with renewable energy; while both energy efficiency and renewable energy investments are the ways towards sustainable energy, EBRD bank needs to play an improved role in promoting renewable energy.

Our recommendation is for a separate, ambitious target to be set for renewable energy; the EBRD should explore the feasibility of implementing successful instruments in its countries of operation, and work together with a wide range of stakeholders to identify the barriers and opportunities in this sector.

There are threats to the development of renewable energy projects, for example the inadequate choice of technology and development sites. Renewable energy projects should be considered within a framework for sustainable development that integrates energy demand reduction and efficiency, a mix of renewable energy sources to meet an increasing proportion of overall energy demand and the protection of biodiversity and communities.

We could not identify any clear sustainability criteria that the EBRD uses in screening investments in renewable energy projects. Our recommendation is that the bank should develop sub-sectoral environmental guidelines for renewable energy projects. CEE Bankwatch Network would fully support such an initiative and provide input regarding the issues around renewable energy projects that can generate negative impacts on the environment and communities.

Appendix 1. The EBRD's renewable energy and energy efficiency target

The EBRD's renewable energy and energy efficiency target was defined in its energy policy, approved by the Board of Directors on 11 July 2006.

The target is to lend or invest a minimum of EUR 1 billion in energy efficiency and renewable energy projects during the period 2006 to 2010.

For the purposes of the target, included projects for energy efficiency will be any which are directly related to the reduction of energy consumption on the demand side (including cogeneration of heat and power and efficiency improvements in distribution of energy) or the part of any other investment which is related to the reduction of demand side energy consumption. Renewable energy projects will include wind, solar, water (hydro and tidal), geothermal, biomass (including production of bio fuel) and waste to energy. Although many generation and transmission projects supported by the EBRD result in significant efficiency improvements and therefore reduced primary energy demand, the objective of the target is to emphasise demand side efficiency. Projects in generation and transmission are therefore not included in the target. The EBRD will report each year on its level of activity in relation to the target, as well as on energy savings and on the electrical capacity of new renewable energy which has been supported with EBRD finance.

Appendix II: Brief information² on EBRD's 2006 energy efficiency and renewable energy projects

Armenian renewable energy programme

The proposed project consists of a long-term loan to Cascade Credit to help capitalise a USD 15 million programme to provide long-term debt to competitive and viable renewable energy projects (primarily mini-hydro).

Natron Hayat - Bosnia and Herzegovina

The proposed project consists of the restart of a pulp production line and the overall renovation of facilities of an integrated pulp and paper mill in Maglaj.

² Information taken from project summary documents available at www.ebrd.com

Mittal Steel Kryviy Rih - Ukraine

The proposed project is to optimise the use of current production capacity and increase the productivity and energy efficiency at Mittal Steel Kriviy Rih in Ukraine.

HydroOGK- Modernization Loan - Russia

Financing of the refurbishment of several units of the 10,000 MW Volga-Kama hydro cascade and the development of renewable sources of energy.

Khanti Mansi Regional MSDP - Russia

The proposed project would involve a loan to Surgutsky Rayon, a municipality in the Khanty-Mansi Autonomous Okrug. The project would focus on priority investments to improve municipal district heating, water and wastewater infrastructure facilities and services in small settlements of Surgutsky Rayon. The project would also finance the institutional strengthening of an integrated municipal services company established in the course of the project's implementation.

Vetropack Gostomel - Ukraine

The proposed project will partly finance an investment in efficiency and the capacity expansion of the glass production facilities at OJSC Vetropack Gostomel Glass Factory's site in Gostomel. The investment is utilised for the upgrading of an existing furnace and the construction of a new glass melting furnace including forming machines. Both facilities are designed and built state of the art and are partly replacing existing capacities.

BEERECL - Energy Efficiency & Renewable Energy FW Ext - Bulgaria

Extension of existing framework facility under which the EBRD would extend credit lines to participating banks for on-lending to private sector companies for industrial energy efficiency and small renewable energy projects.

Boni - Bulgaria

The proposed financing will help Boni Holding, a meat-processing company, to refurbish and upgrade some of its production facilities as well as to restructure its balance sheet. The proceeds from the EBRD's financing will also support the company in meeting higher environmental production standards and improving energy efficiency.

Timisoara District Heating - Romania

The proposed project is designed to increase the overall efficiency of the district heating system in the City of Timisoara. The project represents a modernisation and an extension of an existing co-generation plant.

UKEEP - Energy Efficiency Programme for Banks in Ukraine

The proposed project is a EUR 100 million framework facility under which the EBRD would extend credit lines to participating banks for on-lending to private sector companies for industrial energy efficiency and renewable energy projects.

Ekoenergia (Alchevsk Iron&Steel Works Cogeneration Facility) - Ukraine

The proposed project is the construction of a 294 MW cogeneration facility at Alchevsk Iron & Steel Works in Eastern Ukraine that will use waste blast furnace and converter gases and coke oven gas to generate electricity for use by AMK and the adjacent Alchevsk Coke Works.

Krakow District Heating Project - Poland

The proposed project comprises investments in district heating infrastructure to be implemented by the Krakow municipal heating company (MPEC Krakow). Project objectives are to improve the energy efficiency of the system, reduce air pollution, and enhance the project management skills of MPEC staff. MPEC will refurbish 99 km of main pipes and replace collective heat exchangers with individual ones. MPEC will also implement a technical co-operation project to support improved project management capacity.

Ufa District Heating Loan - Russia

The project is designed to finance the rehabilitation and modernisation of existing Central Heating Sub-stations and the introduction of new, compact Individual Heating Sub-stations in residential apartment buildings in the city of Ufa.

Power Distribution Reconstruction Project - Bosnia and Herzegovina

The proposed project is aimed at modernising the electricity distribution systems of three regional utilities in Bosnia & Herzegovina, enabling the three local power utilities to improve the reliability of electricity supply and to increase energy efficiency by minimising losses of electricity. The Borrower, the State of BiH, will on-lend to the three utilities that will implement the project on their own territories. The EBRD's funding will be used for the supply and installation of new metering equipment, protective cables and for the rehabilitation of substations

For more information

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