

GENERAL ELIGIBILITY CRITERIA FOR ENERGOCREDIT SUB-PROJECTS

1. Compliance with EBRD's Environmental and Social Policy and applicable Performance Requirements.

- (a) In accordance with the loan agreement the Borrower must comply with the EBRD's 2014 Environmental and Social Policy (ESP) and the corresponding requirements, in particular Performance Requirement 9 (PR9): Financial Intermediaries. The ESP can be accessed at <http://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>.
- (b) All activities must be in compliance with the relevant national environmental, health and safety, social and labour standards and regulations.
- (c) Prior to approval of renewable energy projects, each project is subject to review by EBRD's Environment and Sustainability Department against specific environmental and social requirements which are available on EBRD's website <http://www.ebrd.com/who-we-are/our-values/environmental-emanual-risk.html>.

2. Eligible Sub-projects

In order to be eligible for financing under the Facility and the Donor Grant, Sub-projects must satisfy the eligibility criteria set in this section.

The Consultant contracted by the EBRD shall help the PFIs to assess Sub-project eligibility as part of their Sub-project appraisal and approval process.

(a) *Commercial and industrial energy efficiency investments*

This category includes those Sub-projects which:

- comprise of investments in equipment, systems or processes measurable improvement in the energy performance of operations, which leads to an energy savings of at least 20% as compared to previous year of operation or to the country baseline for new green field investments;
- demonstrate financial viability by ensuring the financial value of the energy savings¹ generates an Internal Rate of Return (IRR) of at least 10%.
- do not instigate new production capacity that exceeds twice the baseline capacity². If the Sub-project will lead to a more than doubling of capacity, eligible sub-loan shall be limited to:

$$\frac{2 \times \text{capacity before Sub-project}}{\text{capacity after Sub-project}} \times \text{Sub-project Investment Cost}$$

¹ The financial value of benefits that are not related to energy savings (such as increased sales revenue from increased production volume) shall not be taken into account when assessing eligibility. Where the Sub-project also results in increased production volume, the energy savings shall be calculated per unit of production, multiplied by the new production volume.

² The eligibility of projects which exceeds this limit will be evaluated on a case by case basis and its eligibility authorised by the EBRD in cases where energy efficiency is deemed as a relevant factor in the investment decision.

(b) Stand-alone renewable energy investments

This category includes Sub-projects which comprise of equipment, systems and processes utilising renewable energy resources for generation of electricity and/or any other form of energy replacing fossil fuel resources and/or heating and/or cooling. Renewable energy resources comprise water, wind, sun, biomass, biofuels, biogas and geothermal resources.

Renewable Sub-projects may comprise of:

- Individual wind turbines with an installed capacity not exceeding 2 MW and a capacity utilisation rate³ that is not lower than 0.22;
- Installations of multiple wind turbines with a collective installed capacity not exceeding 8 MW per site and a capacity utilisation rate² that is not lower than 0.22;
- Solar-thermal water systems for the production of hot water for processes and/or space heating/cooling and/or sanitary water heating;
- Solar-thermal drying systems;
- Biomass combustion systems generating heat and/or electricity;
- Biogas engines;
- Geothermal heat pumps;
- Run-of-river hydropower plants with an installed capacity not exceeding 10 MW (applicable to both new installations and the rehabilitation of existing installations) and a capacity utilisation rate that is not lower than 0.25. Notwithstanding any provision herein to the contrary, all hydropower Sub-projects and “run-of-the-river” hydropower Sub-projects must further meet the eligibility criteria set forth in Annex 2.

All Sub-projects deemed eligible under renewable energy criteria shall achieve an IRR of minimum 10%.

(c) Investments in improvement of energy performance in commercial, industrial and residential buildings

Eligible Sub-projects under this category:

- are investments consisting of energy efficiency and/or renewable energy measures in industrial, commercial and residential buildings.
- shall achieve an energy saving equal or greater than 30% as compared to previous year of operation or to the country baseline for green field investments. Should the existing national minimum requirement be beyond the minimum level set above, the national minimum requirement will apply.
- in the residential sector may be implemented at either dwelling- or building-level. Prospective Sub-borrower/Lessees occupying dwellings in apartment buildings are eligible for thermal insulation of outdoor walls, only if one or more facades of a building are going to be insulated completely from the ground level to the roof.

³ The installed capacity utilisation rate is defined as the average effective hours per year during which a turbine is expected to work divided by 8,760 (the total number of hours in a year). The rationale for the application of this criterion is to finance appropriately-located, high-performing projects.