

Sustainable Energy Initiative: Phase 2 (2009-11)



European Bank
for Reconstruction and Development

May 2009

The Sustainable Energy Initiative (SEI) is the EBRD's specific contribution to address the climate change challenge, with a particular focus on energy efficiency. Phase 1 of the SEI has been successfully completed (2006-08) with results significantly above its original targets.

Building on its track record and on its core competence in this area, the EBRD is now further accelerating its action in climate change mitigation and adaptation by launching the next phase of the SEI (Phase 2) for the period 2009-11. The expansion of the SEI initiative reflects the rising urgency to tackle climate change with concrete investments and actions while addressing critical issues in the region such as energy waste, energy security, and economic competitiveness in the EBRD countries of operations.

An analysis of total emissions and energy intensity per unit of GDP, shows that countries of the EBRD region are the most energy intensive economies of the world. As such, the region continues to offer major opportunities for energy saving and carbon emissions reduction. Opportunities can be identified in all sectors of the economies from optimisation of energy supply system performance to efficient use of energy resources on the demand side (industrial, residential, municipal).

Driven by demand from its clients, an evolving climate change agenda at the global level and its experience, the EBRD is now deepening and broadening its objectives in SEI Phase 2 by addressing new and complex areas, such as energy efficiency in the housing sector and development of renewable energy sources.

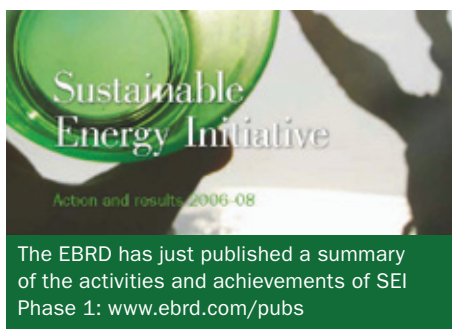
Launching SEI Phase 2

Building on the record and experience established over the past three years, SEI Phase 2 sets new objectives for the Bank to further scale up energy efficiency and renewable energy financing for the period 2009-11, reflecting the situation in the EBRD's region of operations as well as evolving global priorities.

SEI Phase 2 objectives include:

- ▶ EBRD SEI financing target range of €3 to 5 billion for total project value of €9 to 15 billion;
- ▶ carbon emissions reduction range of 25 to 30 million tonnes per annum; and
- ▶ technical assistance grant funding target of €100 million and investment grant funding target of €250 million.

These objectives reflect the strong performance of SEI Phase 1, the effective mainstreaming of energy efficiency and climate change activity across EBRD operations and its integration as a core strategic component and competence of the EBRD. However, considering the current global financial environment, the new targets also take account of the rising level of uncertainty in the operating context.



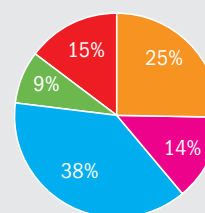
SEI Phase 2 targets (planned 2009-11)

- ▶ SEI financing of €3 to 5 billion for total project value of €9 to 15 billion
- ▶ Carbon emissions reduction of 25 to 30 million ton/annum
- ▶ TC funding of €100 million and investment grant funding of €250 million.

SEI Phase 1 at a glance (actual 2006-08)

- ▶ SEI investment of €2.7 billion with €14 billion total project value
- ▶ 166 projects in 24 countries
- ▶ 64 per cent in the private sector
- ▶ SEI financing accounted for 20 per cent of the Bank's total investment in 2008
- ▶ 21 million tonnes of annual CO₂ reduction, equivalent to the annual emissions of Croatia
- ▶ Annual energy-savings of over 8 million tonnes of oil equivalent (toe), about three times the energy consumption of Albania.

SEI phase 1 results



- Industrial Energy Efficiency
- Sustainable Energy Credit Lines
- Power Generation Energy Efficiency
- Renewable Energy
- Municipal Infrastructure Energy Efficiency

SEI Phase 2 activities

The activities under SEI in the next three years build on existing areas aiming at further scaling up investments in six core areas.

Industrial Energy Efficiency:

projects in highly energy-intensive industrial processes such as steel manufacturing, aluminium smelting, cement and glass production (including introduction of modern energy management systems).

Sustainable Energy Financing Facility:

dedicated loan facilities to local banks for on-lending to clients undertaking SME industrial, residential energy efficiency or small-scale renewable energy projects.

Power Sector Energy Efficiency:

projects supporting the shift to less polluting energy sources, and reduction in energy intensity in power plant generation and transmission network.

Renewable Energy:

financing of standalone renewable energy projects such as wind and hydropower. The Bank will work in strengthening the institutional and regulatory framework for renewable energy which remains weak in most countries.

Municipal Infrastructure Energy

Efficiency: projects to enhance energy efficiency of municipal services, including district heating, public transport and water supply/ treatment projects.

Carbon Market:

technical assistance to promote carbon market developments, management of carbon funds and Green Investment Schemes.

Additionally, driven by demand in the countries of operations and trends in global priorities, SEI will develop the following new activities during Phase 2.

Building energy efficiency: develop financing schemes to pursue the vast opportunities in this field (buildings use about 40 per cent of final energy consumption in the region).

Biomass: developing programmes aimed at creating markets for biomass suppliers and for penetration of biomass technology.

Climate change mitigation in natural resources: pursuing opportunities both upstream and downstream in the oil and gas sector with a strong focus in reduction of waste (e.g. reduction of gas flaring).

Transport energy efficiency:

development of urban public transport network, opportunities across integrated transport infrastructures (e.g. railway operators), and traffic management system.

Climate change adaptation: including adaptation in the risk assessment of projects and developing specific project activities.

Product innovation will be pursued by:

- ▶ broadening the range of financing instruments supporting SEI activity; and
- ▶ developing integrated products targeted at specific clients groups to provide more effective support to clients and delivery of SEI activity.

To achieve these activities the EBRD uses specific tools:

- ▶ direct investments by the EBRD in the form of private, non sovereign and sovereign guaranteed loans, direct equity, equity funds and credit lines in the context of individual energy efficiency and renewable energy projects financed by the Bank;
- ▶ co-financing with the private financial sector, public sources and other international financial institutions (IFIs) as part of the project financing plan;

- ▶ project preparation support in the form of technical cooperation and grant co financing to support implementation of selected SEI components;
- ▶ energy audits to clients including sectors such as industrial, buildings and power generation and implementation support in the form of energy management training and energy management systems to ensure that sustained energy efficiency gains are achieved;
- ▶ institution building and policy dialogue to support the effective development and implementation of dedicated policies, and for enhancing the legal, regulatory, technical and organisational capacity in the countries of operations (e.g. buildings standards).

SEI achievements have been possible with the combination of dedicated financing instruments with a package of technical assistance and in some cases targeted grant co-financing. In this context donor funding is essential in helping to overcome the barriers to sustainable energy investments. Strong support and commitment by 22 donors and 5 multidonor funds has been an important driver of SEI performance and will continue to be a major component in the achievement of SEI Phase 2.

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