EBRD strategic priorities and operations in Central Asia and the Caucasus

INOGATE Working Groups, 28 APRIL 2009

1) EBRD Strategic priorities

- EBRD investment directed by Country Strategies.
- Bank Energy Policy calls the Bank to encourage its clients to undertake any necessary measures and provide assistance through energy audits or energy management training.
- In INOGATE region At the moment, EBRD operations are restricted in:
  - Turkmenistan – to development of the private sector
  - Uzbekistan – SMEs in the private sector
- Extension of EIB mandate to Central Asia – increased regional cooperation in the field of Energy and Environment

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2) EBRD Investments

- Increase in total pipeline (loans and equity): EUR 7bn
  - SEE and Caucasus: EUR 1.4bn, of which EUR 260M in Energy
  - Central Asia: EUR 600M, of which EUR 150M in Energy, and EUR 60M in Infrastructure.
- Central Asia: overall increase due to the response to the financial crisis and the stepping up of the SEI (Phase II). New perspectives with EIB.

3) EBRD Technical Assistance

- Latest TC pipeline in April – June 2009: EUR 83 million
  - EUR 26.7 million for Sustainable Energy,
  - of which EUR 15.9 million for Caucasus, CA
- TC priority fields: strengthening legal framework in the region (energy policy, housing, environment).
- Case of Kazakhstan; Sustainable Energy Action Plan, MoU between Kazakh government and EBRD which outlines cooperation in investments in Sustainable Energy in all sectors. (Similar Action Plan also signed in Bulgaria)
- Present discussion for similar Action Plan ongoing with Ukraine
4) Cooperation with INOGATE

Through its projects, INOGATE alleviates investment barriers and prepares the grounds for EBRD investments in the field of energy.

Scope for future cooperation:

A) Housing Energy Efficiency (largest energy consuming sector, therefore large potential for energy saving)
   - Fragmentation of the residential sector
   - Legal enforcement in the property and residential sector
   - Lack of technical expertise for appraisal and risk assessment;
   - Information asymmetries and misconceptions about the technical risks and financial benefits of energy efficiency
   - No specific marketing tools or budget allocated for such activities

B) Energy Efficiency Investments – extension of SEFF model to the Caucasus and CA

5) EBRD Energy Efficiency Investments

- Extend to CA Energy Audits Programme Framework
  (already implemented in Eastern Europe, Balkans, Russia and Ukraine)

- Extend to CA and Caucasus Identification and Promotion of Sustainable Energy Financing Facility (SEFF)
  (funded by INOGATE in Ukraine and Moldova)
  (also implemented in Georgia, Armenia)
6) Energy Audit Programme

- Target the corporate sector
- Identify potential energy efficiency investments
- Assess the feasibility of the potential investments
- Assist the Bank in reviewing/developing bankable investment programmes
- Provide training to ensure clients are able to implement and manage efficient energy systems on a sustainable basis
- Provide assistance for project management and implementation
- Assist the clients to appraise carbon credits opportunities

7) The Sustainable Energy Financing Facility (SEFF)

- EBRD
  - Credit Line
  - Technical Assistance
  - Energy Audits
  - Training and Marketing Support
  - Consultant

- Participating Bank
  - Loan Agreement
  - Implementation Verification

- Sub-Borrower
  - Independent Energy Expert

TC Funded Contract
8) Looking ahead – next steps

- Step up of EBRD activities in the area (crisis, SEI II 2009-11)
- Extension of EIB mandate in the field of Energy and Environment (Q2 2009)
- Explore potential scope of cooperation with INOGATE in investments in CA
- Extension of SEFF model to CA and Caucasus (Q3, Q4 2009)
- Country strategy revisions, open discussions with governments and potential to widen field of activities (2009-2010)

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