

# **Western Balkans Sustainable Energy Direct Financing Facility**

**Taylor-made financing for industrial Energy  
Efficiency projects**

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# What is WeBSEDFFF?

- A direct financing facility operated by the EBRD
- For (industrial) energy efficiency projects
- In the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro and Serbia, including Kosovo, under UNSCR 1244)
- Endowed with up to EUR 50 million of loan funds + up to EUR 13 million in TC and incentive payment funds



# Financing Instruments under WeBSEDF

- Senior (secured) loans and project financing arrangements
- From EUR 1 million to EUR 6 million EBRD financing
- Average (expected) maturity of 6-8 years, with appropriate grace periods and flexible repayment schedules
- Supported by TC funds for project identification and preparation as well as by incentive payments based on the estimated CO<sub>2</sub> emission reductions generated by each eligible project



# Eligibility Criteria (1)

- Eligible types of projects:
  - **Industrial Energy Efficiency** – on site co- or tri-generation; rehabilitation of boilers, compressed air systems and steam distribution systems; installation of chillers; installations for heat recovery from processes; various other EE improvement measures or combinations of them;

\* Full list is available upon request



## Eligibility Criteria (2)

- In order to qualify for financing and incentive payments under WeBSEDFP the projects should meet certain eligibility criteria: \*
  - **Technical criteria** - defined in terms of:
    - At least 20 percent of energy savings for industrial energy efficiency projects;
  - **Financial criteria** – sound financial / economic structure and sufficient equity capital contributed to the project by the Sponsor;

\* Detailed information on the eligibility criteria can be provided upon request



# Operational Arrangements

- **Approval Process and Other Features:**
  - A two-stage approval procedure carried out in London
  - Expected duration from initial discussions to final approval: 4 – 9 months
  - Legal costs: to be covered by the EBRD (subject to certain constraints)
  - Interest rates: market based, depending on the type and risk profile of the project, the Sponsor and other considerations



# Incentive Payments: Basic Idea

- In order to encourage local entrepreneurs to develop Sustainable Energy projects in a less than perfect market environment, WeBSEDFE will offer incentive payments to eligible projects
- The mechanism for provision of incentive payments under WeBSEDFE is **based on the CO<sub>2</sub> emissions reduction** that each project will achieve
- It emulates a CDM carbon credits transaction, but without generating actual carbon credits for the project sponsor or a third party



# Incentive Payments: Operational Arrangements

- The incentive payments will be paid upon technical completion of each eligible project:
  - **Verification Consultant** will be hired using TC funds to establish the technical completion and operational viability of each project;
  - The incentive payments will be paid towards a **reduction of the outstanding loan principal** –the entrepreneurs will not receive a lump sum, but will benefit through reduced interest and principal payments over the life of the loan;
  - Incentive payment **cap** levels of **15-20%** of the loan principal will be introduced to prevent excessive subsidies for highly efficient projects or for projects with low leverage;



# Mechanism Design: Formula

- The general formula for calculation of the amount of the incentive payments for EE projects is as follows:

$$IP = \frac{CO_2 \text{ emissions avoided per year} \times \text{Price per ton of } CO_2}{\text{Annuity factor}}$$

Where:

CO<sub>2</sub> emissions avoided per year – a project specific variable

Price per ton of CO<sub>2</sub> – a shadow price stipulated by the EBRD

Annuity factor – a variable depending on a discount rate and the number of years over which CO<sub>2</sub> emissions reductions will be remunerated



# How to Contact us

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