

Specifics of the USELF Program cycle



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February 9, 2012



USELF Program cycle

1. Eligibility criteria assessment

2. Preliminary project screening

3. Signing Mandate Letter with EBRD

4. Project detailed analysis

5. Signing loan agreements with EBRD

6. Project implementation monitoring



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1 (1): Eligibility criteria assessment

- The primary goal: to determine projects compliance with USELF eligibility criteria
- Source of information: application questionnaire filled in by project developer
- *Typical application questionnaires for each source of renewable energy are available on the Project website*



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1 (2) Eligibility criteria assessment

- **Eligibility criteria for companies:**
 - ✓ The company shall be a resident of Ukraine (availability of foreign partners is also possible)
 - ✓ Lack of state or municipal control (private sector)
 - ✓ Lack of reputational risks
 - ✓ Transparent organizational and management structure
 - ✓ Availability of funds to cover 40% of project costs
 - ✓ Company must be willing to operate in compliance with EBRD requirements (credit history, financial reporting, corporate governance, environmental and social policy, procurement)



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1 (3) Eligibility criteria assessment

- Criteria for projects:

- ✓ Project shall produce «green» electricity as main pay-back source (other additional pay-back sources are also possible, e.g. income from thermal energy sale)
- ✓ Project shall provide significant reduction of greenhouse gas emissions
- ✓ Project size (minimum project cost)
- ✓ Project shall meet certain technical, economical and financial eligibility criteria



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1 (4) Eligibility criteria assessment

- Reasons for projects development delay:
 - ✓ Lack of sufficient equity at developer's disposal
 - ✓ Project cost noncompliance with minimum requirements (2 mln Euros)
 - ✓ Noncompliance of pay-back sources (small share of "green" energy or lack of "green" energy)
 - ✓ Non-transparent organizational structure and claim on assets
 - ✓ Reputational risks
 - ✓ Presence of state and municipal property
- USELF implementation team will explain how to structure your project in the optimal way



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2(1) : Preliminary project screening

- Goals:
 - ✓ To perform preliminary technical, economical and financial screening of the project
 - ✓ To identify current status of project implementation
 - ✓ To identify financial soundness of the borrower
 - ✓ To initially determine problems hampering further project implementation and ways of their solving
- Period of preliminary project screening:
- 1 months from receipt of all necessary information from the project developer



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2 (2): Preliminary project screening

Result: Preliminary report covering the following:

- ✓ Information about the company – project developer: organizational structure of project implementation, project beneficiaries, their financial status, availability of another business, amount of control and financial performance indicators
- ✓ Evaluation of technical and economical parameters of the project: technology, equipment, expenses, resources and products, CO2 emission reduction



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2 (3): Preliminary project screening

Result: Preliminary report covering the following:

- ✓ Evaluation of project economic attractiveness: assumptions and results of financial model calculation
- ✓ Evaluation of current project implementation status: land issues, design documents development, grid connection, supply and sale contract agreements, agreements with project design company, suppliers and contractors, property issues and state support, experience of project management team and project implementation schedule.



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2 (3): Preliminary project screening

- **Information quality**: maximum level of detail and completeness
- **Basic set of information required for project appraisal**: Business Plan, Feasibility Study, project financial model, information about organizational structure and financial status of project beneficiaries
- **Desired information**: project design (working draft, incl. OVNS), copies of preliminary agreements and contracts, documents confirming claim on assets
- **Documents quality** → **Reduction of risks** →
Better loan terms



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2 (5): Preliminary project screening

- **Reasons for projects implementation delay :**
 - ✓ Lack of necessary information
 - ✓ Imperfection in legal norms and regulations
 - ✓ Inconsistent registration of rights in land procedures
 - ✓ Project implementation by a developer without sufficient development of project concept
 - ✓ Use of unproven equipment and technologies
 - ✓ Pending issues with respect to use of state-owned and municipal property necessary for project realization



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3: Signing Mandate Letter with EBRD

- **Conditions of signing:** Taking positive decision by EBRD on loan approval based on USELF experts recommendations
- **Purpose:**
 - To define indicative lending terms
 - To determine compensatory amount of EBRD expenses connected with project preparation
 - To determine scope of financial penalties for the developer in case of developer's withdrawal from negotiation process with EBRD
- **Terms of signing:** In accordance with EBRD operating procedures, from several days to several weeks after submission of the investigation findings by USELF experts



4: Detailed project analysis

Tougher requirements to information quality and project status with regard to availability of:

- ✓ Technical documentation of the draft project
- ✓ Registered rights of land use
- ✓ Grid connection agreements
- ✓ Proven volumes of feedstock supplies, equipment, works and services, sales of products
- ✓ Availability of funds to cover project costs



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Investment in renewable energy - a step for the future!

Did you know that Ukraine imports up to 80% of the fuels to cover its primary energy needs while its own generating assets are ageing and highly polluting?

For Ukraine, the need to improve energy security and reduce the environmental impact of its energy sector is acute. Renewable energy can play a key role in addressing both these issues.

Although it has great potential for renewable energies, Ukraine has as yet hardly exploited this. The main reason for this low level of activity is that, until now, the legislative and regulatory frameworks have not been adequate to allow implementation of the numerous potentially feasible projects in this area.

In order to encourage businesses to pursue sustainable energy projects, the European Bank for Reconstruction and Development (EBRD) has launched the Ukraine Sustainable Energy Lending Facility (USELF). To promote projects that are often challenging to finance and implement, the Facility not only provides tailor-made financing, but also assistance by technical consultants for businesses and local authorities.

USELF is part of the EBRD's Sustainable Energy Initiative (SEI) addressing the challenges of climate change and energy efficiency. Since the launch of the SEI in 2006, the EBRD is at the forefront in helping countries from Central Europe to Central Asia to secure sustainable energy supplies, and finance the efficient use of energy that will cut demand and imports, reduce pollution and mitigate the effects of climate change.

Facility developed by:



European Bank
for Reconstruction and Development

Project Consultants:

FICHTNER





Thank you for your attention!

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