



USELF

Ukraine Sustainable Energy
Lending Facility

Specifics of the USELF Project cycle



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USELF Project cycle (1)

1. Eligibility criteria assessment

2. Preliminary project screening

3. Concept Review Memorandum and signing Mandate Letter with EBRD

4. Project detailed analysis

5. Signing loan agreements with EBRD

6. Project implementation monitoring



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USELF Project cycle (2)

1-st stage: Eligibility criteria assessment

0,5 month

2-nd stage: Preliminary project screening

1 month

3-rd stage: CRM and signing Mandate Letter with EBRD

0,5 - 1 month*

4-th stage: Project detailed analysis

1 - 2 months

5-th stage: Signing loan agreements

1 – 1,5 months*

Total project cycle: 3 – 6 months (all terms are indicative)

* Exact terms – in accordance with EBRD internal procedures



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1-st stage: Eligibility criteria assessment (1)

- The primary goal of USELF Implementation Team is: 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*
- *If you have any questions when filling in the application questionnaire, you can contact USELF implementation team to get comprehensive answers to your questions*

1-st stage: Eligibility criteria assessment (2)

- 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 30% of project costs (30% - funds and equivalents, competitive procedure and coordination after cooperation has started)
 - ✓ Company must be willing to operate in compliance with EBRD requirements (to introduce International Financial Reporting Standards and corporate governance rules, procurement, environment and social policy)



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1-st stage: Eligibility criteria assessment(3)

- Criteria for projects:

- ✓ Project shall produce «green» electricity to replace electricity generated from conventional energy sources (other additional pay-back sources are also possible, e.g. income from thermal energy sale and mechanisms of Kyoto protocol)
- ✓ Project shall provide significant reduction of greenhouse gas emissions
- ✓ Project size (minimum project cost: € 1,3 m, maximum – € 20 m, optimal range – from € 2 m to € 10 m)
- ✓ Project shall meet certain technical, economical and financial eligibility criteria



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1-st stage: Eligibility criteria assessment(4)

- Reasons for projects development delay:
 - ✓ Lack of sufficient equity at developer's disposal
 - ✓ Project cost noncompliance with minimum requirements
 - ✓ 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

2-nd stage: Preliminary project screening (1)

- **USELF Implementation Team goals:**
 - ✓ To perform preliminary technical, economical and financial screening of the project
 - ✓ To identify current status of project implementation
 - ✓ To initially determine problems hampering further project implementation
- **Period of preliminary project screening:**
- 1 - 2 months from receipt of all necessary information from the project developer depending on the information quality

2-nd stage: Preliminary project screening (2)

- USELF experts act as partners to the project developers assisting them in preparation and submission of information in the optimal way
- Result: preliminary report prepared by USELF experts covering the following issues:
 - ✓ Information about the company – project developer
 - ✓ Evaluation of technical and economical parameters of the project
 - ✓ Evaluation of project economic attractiveness
 - ✓ Evaluation of the current project implementation status
- Providing project developer with recommendations as to the optimal organization of a project cycle

2-nd stage: Preliminary project screening (3)

- **Information quality:** USELF experts will determine optimal information level of detail for project appraisal
- **Basic set of information required for project appraisal:** Business Plan, Feasibility Study, project financial model, information about organizational structure and financial status of project developer
- **Additional information:** will be determined by USELF Implementation Team for each specific project in the course of consultations with project developer
- **Reliability of counterparties:** USELF experts will help to evaluate the reliability of counterparties
- **Optimal organization and project evaluation by USEL experts will help you to get better lending terms**

2-nd stage: Preliminary project screening (4)

- Important initial information for project evaluation:
 - ✓ For SHPP projects: complete hydrology calculation, hydraulic power system layout, drawings in basic sections, calculation of energy generation, detailed cost estimate, project implementation schedule
 - ✓ For WPP: wind measurement results, at least for one year; measurements shall be performed according to European standards
 - ✓ For biogas and biomass projects: proven data about the availability of a reliable feedstock source in the project region and possibility of long-term supplies

2-nd stage: Preliminary project screening (5)

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

2-nd stage: Preliminary project screening (6)

- Other important services provided by USELF experts for the developers
 - ✓ Support to developers in solving the problem related to the lack of experience in dealing with the banks and lack of information about EBRD procedures
 - ✓ Advising on specific issues such as Environmental Impact Assessment according to EBRD standards, use of Kyoto protocol mechanisms when implementing the projects
 - ✓ Identification of projects basis risks and providing recommendations as to their elimination or minimization
 - ✓ Independent and friendly expertise of technical, economical, legal and commercial issues within the project framework

3-rd stage: Concept Review Memorandum (CRM) and signing Mandate Letter with EBRD

- **Conditions of signing:** Taking positive decision by EBRD on loan approval based on USELF experts recommendations (following the results of CRM reviewing)
- **Purpose:**
 - To define framework conditions of collaboration between EBRD and the borrower until signing the loan agreement
 - To determine basic terms of financing
 - To prove seriousness of developer's intentions to get financing from EBRD through USELF
- **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-th stage: Detailed project analysis

- More detailed analysis of project documentation in order to prove:
 - ✓ Availability of funds to cover 30% of project costs for shared funding with EBRD
 - ✓ Optimal development decisions
 - ✓ Assets rights availability
 - ✓ Optimal scheme of contractual relations with main counter-parties
- USELF Implementation Team assistance in the course of the whole project cycle will ensure project compliance with EBRD criteria



5-th stage: Signing loan agreements

- **Base schemes of project financing:**
 - Project financing by means of establishing a separate company for project implementation (WPP, SPP, SHPP, landfill gas)
 - Corporate loan (biogas, biomass, SHPP, pellets production)
- **Loan terms and conditions*:**
 - Long-term loan (up to 12 years) on favorable terms
 - Individual approach based on risk assessment of a specific project
- **Guarantees*:**
 - Projects with normal risk level are pledging the assets directly connected with project implementation

* Exact terms are determined in the process of negotiations with EBRD



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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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