



CASE STUDY 2: UKRAINE - SUSTAINABLE ENERGY LENDING FACILITY

Barriers	Lack of financing and interest in RES projects
Instrument	Credit line for senior debt
Application	Lending to cover up to 50% of project costs for renewable energy projects
Amount	EUR70 million (facility total)

PROJECT BACKGROUND AND OBJECTIVES

The energy strategy of the Government of Ukraine calls for a quadrupling of renewable energy by 2030. It is estimated that this target can be met primarily through biomass, with smaller contributions from solar, wind and small hydro. The current regulatory framework allows for feed-in-tariffs ranging from 65 EUR/MWh for wind to 450 EUR/MWh for solar power.

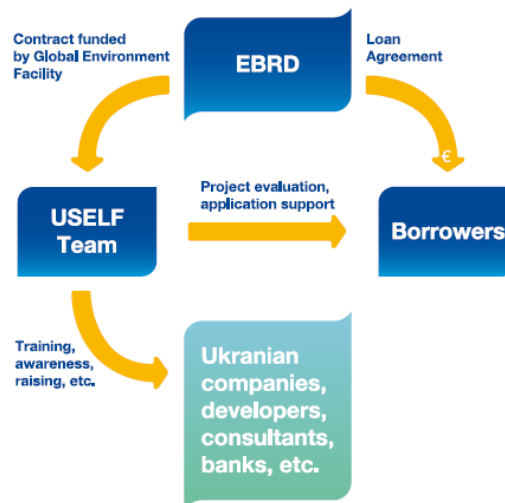
The Ukraine Sustainable Energy Lending Facility (USELF) started in 2008 as part of the EBRD's on-going assistance to the Ukraine. USELF aims to 'provide development support and debt finance to renewable energy projects which meet required commercial, technical and environmental standards'. USELF not only provides tailor-made financing, but also provides technical assistance for businesses and local authorities based on information gathered and analysed by consultants to promote projects that are often challenging to finance and implement.

INSTRUMENTS USED

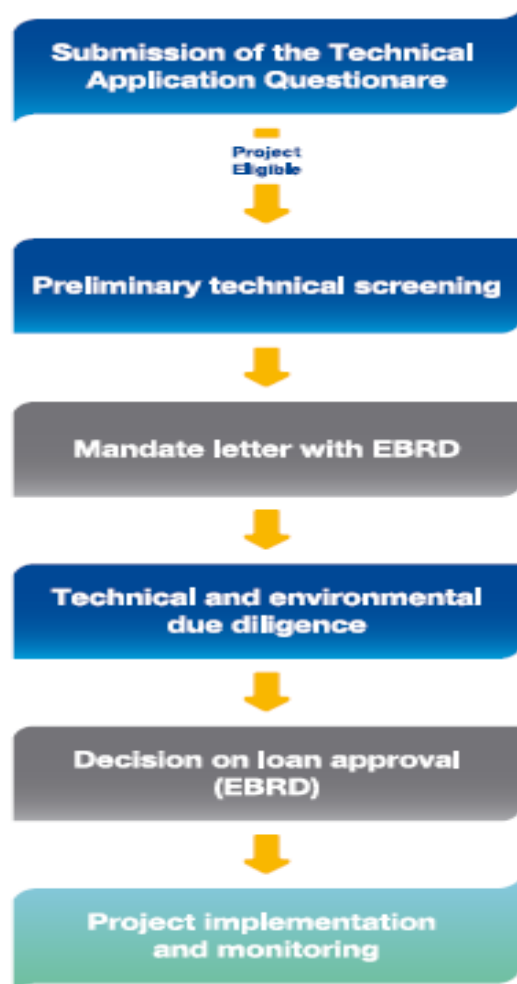
The EBRD provides USELF with EUR50 million to be used for limited recourse finance for up to 50% of project costs on projects over EUR1 million. The other sources of finance will be from developers' equity and from the Clean Technology Fund. In addition, the Clean Technology Fund supports USELF with EUR20 million. The technical assistance part of the project is to be supported from EUR8.5 million grant.

INSTITUTIONAL ARRANGEMENTS

USELF is structured to provide financing directly from the EBRD for projects that exploit renewable energies to reduce application time and hence reduce transaction costs. This approach is supported by a simplified facility organization, with the USELF Implementation Team undertaking technical and environmental due diligence as well as training and capacity building for developers, investors, banks and other stakeholders.



Based on the investigation findings, EBRD takes decisions on loan approval. Throughout this time, borrowers have direct access and act in close collaboration with the USELF Implementation Team and the responsible EBRD officer.



A team of technical and financial experts assists applicants in assessing their projects and preparing the loan application. Interested companies either fill out the Technical Application Questionnaire available from the website of the Programme or directly contact the Implementation Team. The team makes a preliminary technical screening of the company and its proposed project on the basis of documents provided by the applicant. If eligibility is confirmed, EBRD signs a Mandate Letter with the borrower. Further evaluation follows with technical and environmental due diligence reviews.

The Implementation Team will assist the sponsors in making financing applications to the EBRD, although each prospective sponsor will itself be ultimately responsible for preparing its proposal for EBRD financing and liaising on all project-related issues.

Finally, based on the investigations performed within the framework of the technical and environmental due diligence as well as its own calculations, EBRD takes a final decision on the loan conditions and disbursement.

OUTCOMES

37 potential projects were submitted and nine were selected for technical assistance, however, not much information was found with regards to the financing element of USELF. So far, technical assistance for one each of the following types of project has been completed: small hydro, wind, biogas and landfill gas. The other five projects have yet to be completed (two biogas, 1 biomass, one hydro and one wind project).

Further reading

USELF website - click [here](#)

USELF, Strategic Environmental Review: Scoping Report, January 2011 - click [here](#)