

Green for Growth Fund (GGF) Southeast Europe

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GREEN FOR GROWTH FUND
SOUTHEAST EUROPE

INVESTING IN ENERGY EFFICIENCY
AND RENEWABLE ENERGY

A joint initiative by:



- Reduction of high energy intensity in the Balkan region and Turkey is a key challenge for sustainable energy consumption in the 21st century.
- The energy needed to produce USD 1.000 GDP (expressed in purchasing power parity) is on average 2,5 times higher than in Germany (0,16 toe/GDP 1.000 USD (PPP)). In Serbia this value is 4,5 times the German value.
- High savings potential by implementing relatively simple and standardized measures, especially in SMEs and private households
- Two main obstacles for the implementation of energy efficiency measures
 - (i) low awareness in companies and private households, as well as in the financial sector
 - (ii) limited access to medium- to long-term financing for energy efficiency measures

The Green for Growth Fund Southeast Europe addresses those challenges by offering financing through the banking sector as well as direct lending accompanied by technical assistance.

Fund Objectives & Target Group



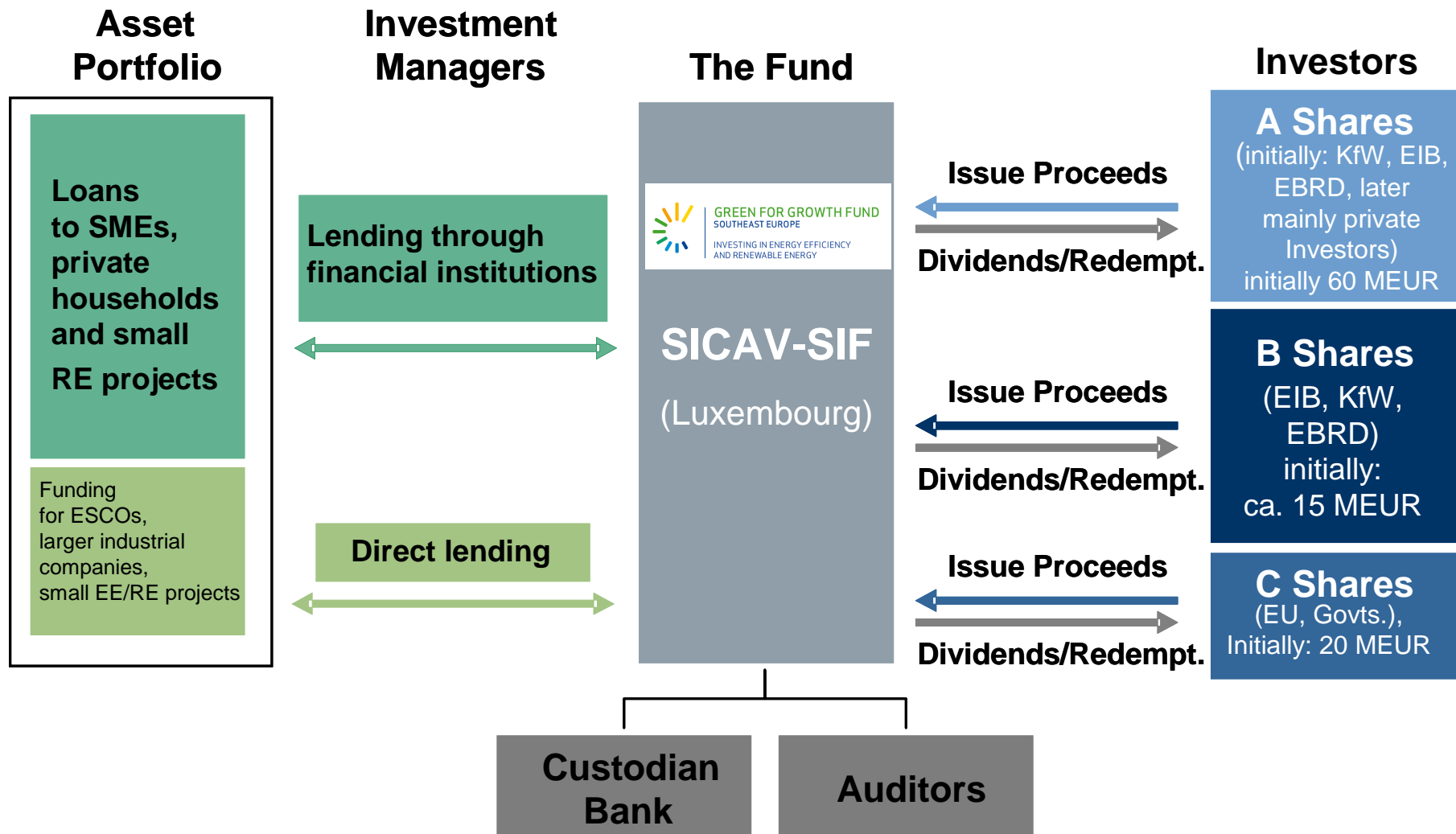
Objectives:

- Provide additional development financing for EE and small RE projects to broaden the financial base for these kind of investments in the Southeast European Region;
- Address specific needs of underserved market segments
- Increase awareness of EE / small RE investments among companies and private households
- Contribute to broadening and deepening the financial sector serving those development needs;
- Harmonize and coordinate donor initiatives
- Attract additional private capital for investments in EE / small RE in the region and offer investors an attractive financial return in line with market expectations.

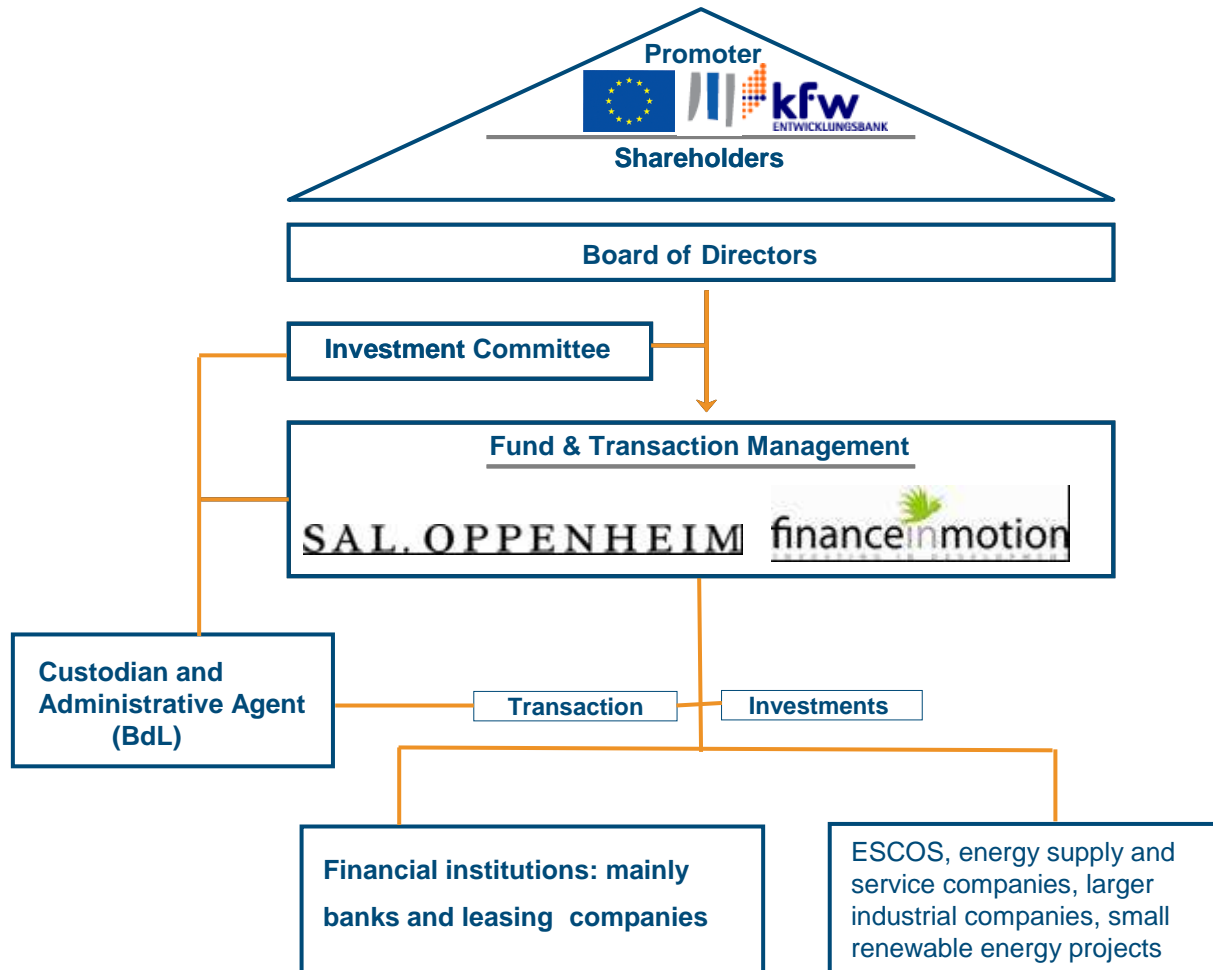
Target Partner Institutions:

- Financial Institutions (e.g. commercial banks, leasing companies) committed to finance EE demand side investments of SMEs and private households (incl. home owner associations), small scale RE;
- ESCOs, renewable energy companies and projects, small scale RE and EE services and supply companies, industrial companies;
- Flexibility according to market conditions

Innovative Fund Structure



Structure and Organization of the GGF



Principles for fund operations: eligibility criteria and energy savings measurements



1. Fund will operate on a sustainable basis.
2. Eligibility criteria and verification of energy savings must not create prohibitive costs for banks or end-borrowers.
3. The fund should achieve 20% energy savings and/or 20% CO2 savings across its EE portfolio and promote the use of renewable energy sources.
4. The investment criteria will take into account national standards and auditing procedures, while ensuring consistency with European Legislation on Energy Efficiency and Renewables.

Differentiated approach by product / customer class.

Flexibility to adapt to the market environment.

Types of Audits and Verifications



Audit Type:	Simplified	Standard	Comprehensive
Applicable Segment:	Residential Household	Residential HOA	Industrial
	SME standard	SME non-standard	
Project Type:	Building / Process	Building / Process	Building / Process
Audit Detail:	Self-audit questionnaire Only defined EE measures are acceptable	Energy audit conducted by 3rd party	Detailed energy audit / feasibility study by 3rd party, incl. economic and technical, historical and forecast analysis
Verification / Impact Analysis:	Check up to 25% of customers to ensure that invoices support initial questionnaire responses. Selected number of post-energy audits	Check up to 50% of customers to ensure that invoices support initial audit recommendations. Selected number of post-energy audits	Complete EEFF verification – post audit, acceptance certificate, savings indicators etc.

Technical Assistance Facility Set-Up



- TA Facility organically tied to the Fund, but managed at „arm’s length“ under a separate fiduciary agreement
- Separate governance structure: TA Facility Committee, with different members than the board (Luxembourg law requirement)
- Transparency: Clear TA Facility policies and procedures, covering especially procurement processes;
- TA must be linked to current or future Fund investments enhancing of key areas or processes of PIs
- Cost sharing on part of the PIs is targeted, depending on the nature of the PI and the activity.
- Activities implemented by the Manager (not being procured) have to be closely connected to the Fund’s strategy and operations:
 - Research and development activities, e.g. market studies



- **Build capability into partner institutions**
 - Assist banks during startup phase to develop dealflow, internal procedures and capabilities
 - 3rd party assistance to end-users to support complex projects
- **Develop EE standard measure database**
 - Key component of fund; facilitate sharing of information between investment channels/recipients
 - Verification and selected post audits to ensure integrity of savings
- **Support renewable energy**
 - Finalize business plan and facilitate co-financing
 - Don't cover preliminary or development work
- **Co-financing where achievable**



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Backup

Example: Procedure for SME EE loans

